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TRANSCRIPT OF RECORD.

SUPREME COURT OF THE UNITED STATES.

No. ~~342.~~ 96

THE UNION PAPER BAG MACHINE COMPANY, WILLIAM H. CHATFIELD, AND WILLIAM WOODS, APPELLANTS,

VS.

THOMAS NIXON.

FILED NOVEMBER 19, 1878.

No. ~~431.~~ 82

THOMAS NIXON, APPELLANT,

VS.

THE UNION PAPER BAG MACHINE COMPANY, WILLIAM H. CHATFIELD, AND WILLIAM WOODS.

FILED APRIL 22, 1879.

APPEALS FROM THE CIRCUIT COURT OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF OHIO.

SUPREME COURT OF THE UNITED STATES.

No. 342.

THE UNION PAPER BAG MACHINE COMPANY, WILLIAM H. CHATFIELD, AND WILLIAM WOODS, APPELLANTS,

VS.

THOMAS NIXON.

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1 At a stated term of the circuit court of the United States within and for the sixth judicial circuit and southern district of Ohio, begun and held at the court rooms, in the city of Cincinnati, on the first Tuesday of April, being the second day of that month, in the year of our Lord one thousand eight hundred and seventy-eight—present, the honorable John Baxter, circuit judge, and the honorable Philip B. Swing, district judge—among the proceedings had were the following, to wit:

Bill.

THE UNION PAPER BAG MACHINE COMPANY, William H. Chatfield, and William Woods *versus* THOMAS NIXON. } No. 1527. In equity.

Be it remembered that heretofore, to wit, on the thirteenth day of November, in the year of our Lord one thousand eight hundred and seventy-one, came the said complainants, by Geo. Harding and Matthews and Ramsey, their solicitors, and filed in the clerk's office
2 of the court aforesaid their certain bill in chancery against the said defendant, which said bill was clothed in the words and figures following, to wit:

Circuit court of the United States in and for the southern district of Ohio. In equity.

THE UNION PAPER BAG MACHINE COMPANY, William H. Chatfield, and William Woods, *versus* THOMAS NIXON.

To the honorable the judges of the circuit court of the United States in and for the southern district of Ohio:

The Union Paper Bag Machine Company, a corporation organized under the general laws of the State of Pennsylvania, and having its place of business at Philadelphia, in the said State, and William H. Chatfield and William Woods, both of Cincinnati, in the State of Ohio, and citizens of said State, bring this bill against Thomas Nixon,
3 of Dayton, in the said State of Ohio, and a citizen of said State of Ohio.

And thereupon your orators complain and say that heretofore and before the 28th day of April, 1857, one Benjamin F. Rice was the true original and first inventor of a certain new and useful improvement in machines for making paper bags not known or used before and not at the time of his application for a patent in public use or on sale with his consent or allowance.

And your orators further show unto your honors that on or about the 18th day of November, eighteen hundred and fifty six, the said Benjamin F. Rice, by an assignment in writing of that date, sold, assigned, and transferred unto Benjamin R. Smith and Charles H. Morgan all his right, title, and interest in and to said letters patent and invention, which assignment was duly recorded in the Patent Office of the United States, as by said assignment, or a duly authenticated

copy thereof, and the certificate of such recording thereto affixed, ready in court to be produced will fully and at large appear.

4 And your orators further show unto your honors that the said Benjamin F. Rice, so being the inventor of said improvement, and being a citizen of the United States aforesaid, made application to the proper department of the Government of the United States for letters patent in accordance with the then existing acts of Congress, and having duly complied in all respects with the conditions and requisitions of said acts, on the 28th day of April, 1857, letters patent of the United States, signed, sealed, and executed in due form of law, for his invention or discovery were issued to the aforesaid Benjamin R. Smith and Charles H. Morgan, whereby there were secured to them, their heirs, executors, administrators, and assigns, for the term of fourteen years from the 28th day of April, 1857, the full and exclusive right of making, using, and vending to others to be used the said improvement.

And your orators further show unto your honors that on or about the first day of January, eighteen hundred and fifty-nine, the said Benjamin R. Smith, by an assignment in writing of that date,

5 sold, assigned, and transferred unto Leonard Whitney, jr., and Thurston Priest all his right, title, and interest in and to said letters patent and invention, which assignment was duly recorded in the Patent Office of the United States, as by said assignment, or a duly authenticated copy thereof, and the certificate of such recording thereto annexed, ready in court to be produced, will fully and at large appear.

And your orators further show unto your honors that the said Morgan, Whitney, and Priest, having for good and lawful cause surrendered said last-mentioned original letters patent to the Commissioner of Patents, and having made due application therefor, and having in all things complied with the acts of Congress in such case made and provided, did, on the sixth day of March, 1860, obtain new letters patent for the same invention for the residue of said term of 14 years, which said last-mentioned letters patent were issued in due form of law under the seal of the Patent Office of the United States, signed by the Secretary of the Interior and countersigned by the Commissioner

6 of Patents, and bearing date the day and year last aforesaid, as by the said last-mentioned letters patent, or a duly authenticated copy thereof, in court to be produced will appear.

And your orators further show that a description or specification of the aforesaid improvement was given in the schedule to the said last mentioned reissued letters patent annexed, accompanied by certain drawings referred to in said last mentioned schedule, and forming part of said last mentioned reissued letters patent. That the said last mentioned reissued letters patent and the said specification thereto annexed (which or an exemplified copy of which your orator will produce, as your honors may direct) were duly recorded in the Patent Office.

And your orators further show unto your honors that on or about the eleventh day of February, 1859, the same Morgan, Whitney, & Priest did, by an instrument in writing of that date, grant unto Martin Nixon,

Thomas Nixon and William H. Chatfield, trading as Nixon and

7 Chatfield, the exclusive right, license, and authority to use the invention patented in and by the said letters patent within all that portion of the United States lying between the thirty-sixth and fortieth parallels of latitude and the second and eighteenth meridians of longitude west of the city of Washington, and also within that other portion of the United States lying between the fortieth and forty-first parallels of lati-

tude and the second and fourth meridans of longitude, which instrument was duly recorded in the Patent Office of the United States, as by said instrument, or a duly authenticated copy thereof, and the certificate of such recording thereto affixed, ready in court to be produced, will fully and at large appear.

And your orators further show unto your honors that on or about the twelfth day of August, 1859, the said Morgan, Whitney and Priest did, by an instrument in writing under seal of that date, grant unto the said firm of Nixon and Chatfield the exclusive right, license and authority to use the inventions patented in and by the said letters patent
8 within all that portion of the United States lying north of the fortieth parallel of north latitude and between the second and eighteenth degrees of longitude west of Washington, except so much thereof as is included within the State of New York, which instrument was duly recorded in the Patent Office of the United States, as by said instrument, or a duly authenticated copy thereof and the certificate of such recording thereto affixed, ready in court to be produced, will fully and at large appear.

And your orators further show unto your honors that on or about the first day of June, 1865, the said firm of Nixon & Chatfield did, by an instrument of writing under seal of that date duly recorded in the United States Patent Office, assign to William H. Chatfield and William Woods all the property of the said firm, real, personal and mixed, as by reference to the said instrument, or a duly authenticated copy thereof, and the certificate of such recording thereto affixed, ready in court to be produced, will more fully and at large appear.

9 And your orators further show unto your honors that the said Benjamin F. Rice, having died, letters of administration on his estate were duly granted to Roxanna Rice, as by the said letters of administration or an exemplified copy thereof, ready in court to be produced, will fully and at large appear.

And your orators further show unto your honors that the said Roxanna Rice having made due application to the Commissioner of Patents for an extension of said reissued letters patent, and having in all things complied with the requirements of the act of Congress in that case made and provided, the said reissued letters patent were duly extended by the Commissioner of Patents for the term of seven years from the 28th day of April, 1871.

And your orators further show unto your honors that on or about the 24th day of April, eighteen hundred and seventy-one, the said Roxanna Rice, by an assignment in writing of that date, sold, assigned and transferred unto your orator, the Union Paper Bag Machine Company,
10 all her right, title, and interest in and to said extended letters patent and invention, which assignment was duly recorded in the Patent Office of the United States, as by said assignment or a duly authenticated copy thereof, and the certificate of such recording thereto affixed, ready in court to be produced, will fully and at large appear.

And your orators further show unto your honors that on or about the twenty-seventh day of June, 1871, your orator, the Union Paper Bag Machine Company, by an agreement under seal of that date, granted unto your orators, William H. Chatfield and William Woods, the exclusive right to use machines constructed in accordance with the said extended letters patent for the States of Ohio, Indiana, Kentucky, and Tennessee, which agreement was duly recorded in the Patent Office of the United States, as by said instrument or a duly authenticated copy thereof, and the cer-

tificate of such recording thereto affixed, ready in court to be produced, will fully and at large appear.

And your orators further show that your orators have extensively applied the said improvements to practical use and have been, and, but for the infringement hereinafter complained of, would still be in the undisturbed possession, use, and enjoyment of the exclusive privileges secured by the said letters patent and in receipt of the profits of the same.

11

And your orators further show unto your honors, as they are informed and believe, that the said defendant hereinafter named, well knowing all the facts hereinafter set forth, is now constructing and using the said patented improvements or machines, in some parts thereof substantially the same in construction and operation as in the said letters patent mentioned, the exclusive right and privilege to make and use which and vend the same to others to be used is thus by law vested in your orators.

And so it is, may it please your honors, that the said defendant, as your orators are informed and believe, without the license of your orators, against their will and in violation of their rights, have made and used, and intend to continue still to make and use the said improvement within the southern district of Ohio, all of which is in violation of the said letters patent.

12

To the end, therefore, that the defendant may, if he can, show reason why your orators should not have the relief hereby prayed, and that he may make a full disclosure and discovery of all the matters aforesaid, and upon his corporal oath and according to the best and utmost knowledge and remembrance, information, and belief, full, true, direct, and perfect answer make to such of the several interrogatories hereinafter numbered and set forth as by the note hereunder written he is required to answer, that is to say—

I. Whether the said original letters patent were granted and issued to the said Benjamin R. Smith and Charles H. Morgan, as assignees of the said Benjamin F. Rice, as hereinbefore set forth?

II. Whether the said original letters patent reissued to the said Morgan and to the said Whitney and Priest, assignees of the said Smith, as hereinbefore set forth.

13

III. Whether the said exclusive licenses were granted by the said Morgan, Whitney and Priest to the said Nixon and Chatfield, as hereinbefore set forth.

IV. Whether the said Nixon & Chatfield transferred their property to the said William H. Chatfield and William Woods, as hereinbefore set forth.

V. Whether the said reissued letters patent were extended by the said Roxanna Rice, administratrix of the said Benjamin F. Rice, as hereinbefore set forth.

VI. Whether the said reissued and extended letters patent were assigned to the said Union Paper Bag Machine Company, as hereinbefore set forth.

VII. Whether the said exclusive license was granted by the said company to the said Chatfield and Woods, as hereinbefore set forth.

VIII. Whether the said defendant now owns any paper-bag machines constructed in whole or in part upon the principles and in the manner described in the said letters patent, and, if so, how many?

IX. Whether the same defendant receives any compensation for the use of such machines, and, if so, in what way? Specify particularly.

14 X. Whether the said defendant has at any time, and when and during what period of time, made, sold, or used any, and how many, machines for making paper bags constructed in whole or in part upon the principles and in the manner described in said letters patent, and when and how they were made? Describe minutely and in detail their construction and mode of operation.

And now to the end that defendant may be compelled to account for and pay over the income thus unlawfully derived from the violation of the rights of your orators as above, and be restrained from any further violation of said rights, your orators pray that your honors may grant a writ of injunction restraining the defendant from any further construction or sale or use in any manner of said patented improvements or any part thereof in violation of the rights of your orators as aforesaid, and that the machine or machines now in possession or use of the said defendant may be destroyed or delivered up to your orators
15 for that purpose. And also that your orators, upon the entering of the decree for an infringement, as above prayed for, may also proceed to assess or cause to be assessed under your direction, in addition to the profits to be accounted for by the defendant, as aforesaid, the damages your orators have sustained by reason of such infringements, and that your honors may increase the actual damages so assessed to a sum equal to three times the amount of such assessment, under the circumstances of the wilful and unjust infringement by said defendant as herein set forth. And your orators prays also for a provisional or preliminary injunction, and for such other relief as the equity of the case may require and to your honors may seem meet.

May it please your honors to grant unto your orators not only a writ of injunction conformable to the prayer of this bill, but also a writ of subpœna of the United States of America, directed to the said Thomas Nixon and commanding him to appear and answer unto this bill
16 of complaint, and to abide and perform such order and decree in the premises as to the court shall seem fit and be required by the principles of equity and good conscience.

GEORGE HARDING,
With STANLY MATTHEWS,
Solicitors for Complainants.

The defendant is required to answer each of the foregoing interrogatories, numbered I to VIII, inclusive.

G. HARDING, *Of Counsel*,
With STANLY MATTHEWS,
Solicitor for Complainants.

UNITED STATES OF AMERICA,
Eastern District of Pennsylvania:

Edwin J. Howlett, president, and John P. Onderdonte, secretary of the Union Paper Bag Machine Company, one of the complainants in the foregoing bill named, being duly sworn, say that so far as the statements therein contained are within their own knowledge they are true, and so far as they are derived from the information of others, they verily believe them to be true. And they further say that they verily believe the said Benjamin F. Rice in said bill named to be the original,
17 true, and first inventor of the new and useful improvement in machines for making paper bags which is described in the patents granted to Benjamin R. Smith and Charles H. Morgan, as assignees of the said Rice, and reissued to the said Charles H. Morgan, Leonard

Whitney, junior, and Thurston Priest, assignees, and mentioned in the foregoing bill. And your deponents verily believe that the title of the complainants, as set forth in said bill, is true.

EDWIN J. HOWLETT, *Pres't.*
JOHN P. ONDERDONT, *Sec'ty.*

Sworn to and subscribed this tenth day of November, A. D. 1871, before—

WM. B. DAYTON,
Notary Public.

And afterwards, but on the same day and year last aforesaid, there was issued out of the clerk's office of the court aforesaid our certain writ of subpœna directed to the marshal of this district and against the said defendant Thomas Nixon, which said writ was clothed in the words and figures following, to wit:

UNITED STATES OF AMERICA,
Southern District of Ohio:

The President of the United States of America to the marshal of
18 the southern district of Ohio, greeting:

You are hereby commanded to summon Thomas Nixon, citizen of and resident in the State of Ohio, if he may be found in your district, to be and appear in the circuit court of the United States for the southern district of Ohio aforesaid, at Cincinnati, on the first Monday in December next, to answer a certain bill in chancery filed and exhibited in said court against him by the Union Paper Bag Machine Company, a corporation organized under the general laws of the State of Pennsylvania, and having its place of business at Philadelphia, in the said State, and William H. Chatfield and William Woods, both of Cincinnati, citizens of and residents in the State of Ohio.

Hereof you are not to fail under the penalty of the law thence ensuing. And have you then and there this writ.

Witness the Honorable Salmon P. Chase, Chief Justice of the United States, this 13th day of November, A. D. 1871, and in the 96th
19 year of the Independence of the United States of America.

Attest.

[SEAL.] JOHN McLEAN, *Clerk.*

MEMORANDUM.—The said defendant is required to enter his appearance in this suit in the clerk's office of said court on or before the first Monday of December, 1871; otherwise the said bill may be taken "pro confesso."

JOHN McLEAN, *Clerk.*

And afterwards, to wit, on the twenty-first day of November, in the year last aforesaid, came the marshal of this district, to whom said writ of subpœna was in form aforesaid directed, and returned the same into the clerk's office of this court, with his proceedings endorsed thereon, clothed in the words and figures following, to wit:

Marshal's return.

SOUTHERN DISTRICT OF OHIO, *ss:*

I rec'd this writ at Cin'ti a' 10.30 a. m., on the 14th day of November,

1871, and served true copy hereof, as follows: By handing a
20 copy to Thomas Nixon, at 7 p. m., this 14th day of November, 1871.

W. R. THRALL,
U. S. Marshal,
By ISAAC HALL, *Dep'ty.*

And afterwards, to wit, on the twenty-ninth of December, in the year last aforesaid, came James Moore, defendant's solicitor, and filed in the office of the clerk of the court aforesaid his certain entry of appearance for said defendant, clothed in the words and figures following, to wit:

Defendant's appearance.

United States circuit court, southern district of Ohio. In equity.

THE UNION PAPER BAG MACH. CO., W. H. Chatfield & W. Woods,
versus
THOMAS NIXON.

I hereby enter an appearance for the defendant in the above named cause.

JAMES MOORE,
Iff'ts Sol'c'r.

21 And afterwards, to wit, on the twenty-second day of January, in the year of our Lord one thousand eight hundred and seventy-two, there was filed in the clerk's office of the court aforesaid a certain stipulation, clothed in the words and figures following, to wit:

Stipulation.

United States circuit court, southern district of Ohio. In equity.

THE UNION PAPER BAG MACHINE CO. ET AL.
versus
THOMAS NIXON.

By agreement of parties it is ordered by the court, E. Moyer Shreve, of Trenton, New Jersey, be, and he is hereby, appointed special examiner in the above cause under the sixty-seventh rule in equity as amended.

And afterwards, to wit, on the twenty-third day of January, in the year last aforesaid, an entry was made on the journal of the court in this cause, clothed in the words and figures following, to wit:

22 *Entry p. 255.—Leave to answer by Feb'y 10th.*

THE UNION PAPER BAG MACHINE COMPANY
versus
THOMAS NIXON. Chancery.

On motion to the court, it is ordered that defendant in the above case have leave to file his answer herein on or before February 10th next.

And afterwards, to wit, on the eighth day of February, in the year last aforesaid, came the said respondent and filed in the clerk's office of the court aforesaid his certain answer herein, clothed in the words and figures following, to wit:

Answer.

United States circuit court, southern district of Ohio. In equity.

THE UNION PAPER BAG MACHINE CO., William H. Chatfield and William Woods,
versus
THOMAS NIXON.

The answer of Thomas Nixon, respondent, to the bill of complaint of the above named complainants, the Union Paper Bag Ma-
23 chine Company, William H. Chatfield and William Woods.

This respondent, Thomas Nixon, now and at all times hereafter saving and reserving to himself all and all manner of benefit of exception which may be had or taken to the manifold errors, uncertainties, imperfections and insufficiencies of the said bill of complaint, for answer thereto or unto so much thereof as he is advised is material and necessary for him to make answer unto, answering, says: That he admits upon information and belief that the letters patent referred to in the bill of complaint were granted to the parties named in the bill of complaint and at the time alleged, and that they subsequently reissued and extended as of the dates alleged, to the parties respectively named in the bill of complaint as the grantees of such reissue and extension; but he denies that the said Benjamin F. Rice was the first and original inventor of the invention shown, described, and claimed in the said reissued patent; and he further denies that the said reissued patent is for the same invention as was originally patented or intended or attempted to be patented to the said Benjamin R. Smith and Charles H.
24 Morgan, or that the said reissue is good and valid for any lawful purpose whatever.

Respondent, further answering, says that he has no knowledge, information or belief in respect to the assignments in the bill of complaint alleged, and he leaves complainants to make such proof thereof as they may be advised.

Respondent, further answering, denies that the written description or specification attached to the said reissued letters patent is in such full, clear, concise, and exact terms as to enable a person skilled in the art to construct said invention; and further says that, on the contrary, the description of said invention is so involved, confused, and contradictory that the invention could not by such person as aforesaid be constructed from the said description when taken in connection with the drawings thereto attached.

And, further answering, says that he denies that the machine described in the said letters patent as the invention of the said Rice is capable of any useful application, or that it is possible to make paper bags upon said machine as it is described and shown in said letters patent.

25 Respondent, further answering, denies all and any infringement of the aforesaid letters patent; he denies that he has made or sold any machines whatever for the manufacture of paper bags. And, further answering, says that the only interest he has had in the manufacture of paper bags is that he was the owner of three machines—and

still remains the owner of two of them—which were rented to Nixon & Co., of Cincinnati, for the manufacture of paper bags, and for the use of which the said Nixon & Company paid this respondent a certain fixed rent, but that he has no interest whatever in the manufacture of paper bags by the said machines, and never had any, nor in the bags so manufactured.

Respondent, further answering, denies that either said complainants or their assignors have ever had the exclusive use of said improvement, or that they ever exclusively applied said improvement to practical use. And further says that the said three paper bags machines owned by him have been since the early part of the year 1866 operated by said Nixon and Co. until within a very short time. And two of said ma-
26 chines are still being operated by said Nixon & Co. in the manner before stated.

Respondents, further answering, says that complainants and owners of said patent have had during all the time that has elapsed since respondent procured the paper bag machines full knowledge of the construction of said machines, and of the fact that they were being publicly and continuously operated for the purpose of making paper bags, and have not during that time until the commencement in this court of the suits against Morris H. Nixon et al. in July, 1871, taken any steps to prevent respondent from continuing to use said machines in the manner aforesaid; nor have the said complainants nor any of the owners of said letters patent, during said period of time, in any manner objected to respondent renting the machines to be used as above described, or to the use of the machines by Nixon & Co., for the manufacture of paper bags, nor have the said parties, nor any of them, made any claim before the commencement of the suits above referred to that any of said machines infringed the patent referred to in the bill of complaint herein.

Respondent, further answering, says that relying upon his rights
27 to rent those machines to any party that he might desire to rent them to or to use them himself, if he so desired, for the purpose of making paper bags, he had before the commencement of this suit expended a great deal of money with reference to the profitable use of said machines, and if he be now by reason of any decree that may be entered in this cause prevented from using said machines he would be a very heavy loser thereby.

That among other items of expense incurred by him by reason of his reliance on his right to continue the use of said machines in the manner aforesaid, he built a mill at a cost to him of about twenty thousand ($20,000) dollars, for the exclusive purpose of making paper which was to be afterward, and is now being, manufactured into bags upon the said machines, which said sum will be nearly a dead loss if the said mill cannot be used in connection with the said machines, which item this respondent would not have expended if he had not had full confidence in his right to run said machines if he chose.

Respondent, further answering, denies, upon information and
28 belief, that said Benjamin F. Rice was the first and original inventor of the improvement in machines for making paper bags or any material, or substantial part thereof, shown, described, and claimed in the said letters patent; but, on the contrary, he avers that long prior to the time of the alleged invention by the said Benjamin F. Rice the same was well known and publicly used in the United States in the following places, which use was known, among others, to the following persons, to wit:

In a certain house on the north side of Callowhill street, east of Sixth

street, in the city and county of Philadelphia, in the State of Pennsylvania, which use was known, among others, to Horatio G. Armstrong, who now resides at No. 53 West Front street, in the city of Trenton, in the State of New Jersey.

Also, at Catlettsburg, in Greenup County, in the State of Kentucky; also, at South Dedham, in the State of Massachusetts, which uses were known, among others, to Richard G. Hunting, who now resides at No. 14 Perry street, in the city of Cincinnati, in the State of Ohio.

Also, at a certain house on Front street, near Broadway street,
29 in the city of Cincinnati, in the State of Ohio, which use was known to Samuel W. Smith, who now resides at No. 406 Sixth street, in said city of Cincinnati, Ohio.

Respondents, further answering, says that prior to any invention thereof by the said Benjamin F. Rice the said improvement in machines for making paper bags, described in the letters patent upon which the bill of complaint is founded, was fully described in the following letters patent, to wit:

Letters patent of the United States granted to E. W. Goodale for improved machine for making paper bags, dated May 29th, 1855, and No. 12945.

Letters patent of the United States granted to E. W. Goodale for improvement in machines for making paper envelopes, number 13647, and dated October 9th, 1855.

Letters patent of the United States granted Edwin Ells for improvement in machines for forming metal tubes, dated July 7th, 1855, No. 13255.

English letters patent granted to William Brown for improvements in the manufacture of paper bags, dated August 25th, 1855, and numbered 1926.

30 Letters patent of the United States granted to Cyrus Chambers, jr., for improved machines for folding paper, dated October 7th, 1856, and No. 15842.

Respondent prays the same advantages of his aforesaid answer as if he had pleaded the several matters and things aforesaid to the bill of complaint herein.

And this respondent humbly submits and insists that under the facts and circumstances as above alleged the said complainants have no right to any further or other answer to said bill or any part thereof than is above given, and no right of injunction, account, or other relief prayed for in said bill, and he therefore asks to be hence dismissed, with his costs and charges in this behalf sustained.

Without this that any other matter or thing in said bill contained and not herein and hereby well and sufficiently answered, traversed or denied, confessed and avoided, is true, to the knowledge and belief of this respondent.

All of which this respondent is ready and willing to aver, maintain, and prove as this honorable court shall direct.

THOS. NIXON.

31 UNITED STATES OF AMERICA,
Southern District of Ohio, ss:

On this day of January, A. D. 1872, personally appeared before me, John W. Feighan, a notary public, Thomas Nixon, the above-named respondent, who, being by me first duly sworn, deposes and says that he has read the foregoing answer subscribed by him, and knows the contents thereof, and that the same is true of his own knowledge, ex-

cept as to those matters which are therein stated on information and belief, and as to those matters he verily believes it to be true.

THOS. NIXON.

Sworn to and subscribed before me this 5th day of February, 1872.

[SEAL.] JOHN W. FEIGHAN,
Notary Public, Hamilton County, Ohio.

32 And afterwards, to wit, on the sixteenth day of February, in the year of our Lord one thousand eight hundred and seventy-two, came the said complainants, by their solicitor, George Harding, and filed in the clerk's office of the court aforesaid their certain replication to defendant's answer aforesaid, clothed in the words and figures following, to wit:

Replication.

C. C. U. S., southern district of Ohio. In equity.

UNION PAPER BAG MACHINE COMPANY AND Thomas H. Chatfield and William Woods *vs.* THOMAS NIXON. } No. 1527.

The replication of Union Paper Bag Machine Company and William H. Chatfield and William Woods, complainants, to the answer of Thomas Nixon, defendant.

These repliants, saving and reserving all and all manner of advantage of exception to the manifold insufficiencies of the said answer, for replication thereunto say that they will aver and prove the said bill to

33 be true, certain, and sufficient in the law to be answered unto, and that the said answer of the said defendant is uncertain, untrue, and insufficient to be replied unto by these appliants without this, that any other matter or thing whatsoever in the said answer contained material or effectual in the law to be replied unto, confessed and avoided, traversed or denied, is true; all which matters and things these repliants are and will be ready to aver and prove as this honorable court shall direct, and humbly pray as in and by the said bill they have already prayed.

GEORGE HARDING,
Solicitor & Counsel for Plaintiff.

And afterwards, to wit, on the twenty-sixth day of February, in the year last aforesaid, came S. S. Fisher, esq.'r, complainants' solicitor, and filed in the clerk's office of the court aforesaid his certain entry of appearance for said complainant, clothed in the words and figures following, to wit:

Appearance for complainant S. S. Fisher.

Circuit court of the U. States for southern dist. of Ohio. In equity.

34 THE UNION PAPER BAG MACH. CO. AND Chatfield & Woods *vs.* NIXON & CO. } No. 1527.

I hereby appear for complainants in above case.

SAM'L S. FISHER,
Per FISHER AND FISHER.

CINCINNATI, O., *Feb.* 26, '72.

And afterwards, to wit, on the seventh day of March, in the year last aforesaid, came Fisher & Fisher, solicitors for complainants, and filed in the clerk's office of the court aforesaid their certain entry of appearance for said complainants, clothed in the words and figures following, to wit:

Appearance of Fisher & Fisher for complainants.

Circuit court of the United States for the southern district of Ohio.
In equity.

THE UNION PAPER BAG MACHINE CO. ET AL.
vs.
THOMAS NIXON.

To Hon. THOMAS AMBROSE,
Clerk of U. S. Court:

35 SIR: We hereby appear for the complainants in the above case. Please make the proper entry to that effect.
Respectfully,

FISHER & FISHER.

CINCTI, O., *Mch.* 7, 1872.

And afterwards, to wit, on the third day of June, in the year last aforesaid, an entry was made on the journal of the court in this cause, clothed in the words and figures following, to wit:

Entry, P—381.

UNION PAPER BAG MACHINE CO.
versus
THOMAS NIXON. } Chancery.

By consent of parties it is ordered that the time for taking respondent's testimony in the above cause be further extended to and including the 8th day of June, 1872.

And afterwards, to wit, on the nineteenth day of October, in the year last aforesaid, came the said respondent, by James Moon, his solicitor, and filed in the clerk's office of the court aforesaid his
36 certain amended answer herein, clothed in the words and figures following, to-wit:

Amended answer.

U. S. circuit court, south. dist. Ohio. In equity.

THE UNION PAPER BAG MACHINE CO. ET AL.
versus
THOMAS NIXON.

The amended answer of the respondent, Thomas Nixon, to the answer heretofore filed in this cause.

This respondent, by leave of this honorable court, first had and obtained, amends his answer heretofore filed in this cause:

First. By inserting after the first line on the eighth page of the an-

swer heretofore filed, as follows: "Said house being the then residence and place of business of said Horatio G. Armstrong."

Second. By inserting after second paragraph, 21st line, second page of said answer heretofore filed. as follows: "At Deacon Parker's
37 shop, in Clinton, in the State of Massachusetts, and at the house of Edward W. Goodale, opposite the machine shop of Clinton Company, on Main street, in Clinton aforesaid, the use of which was known to the said Edward W. Goodale, who now resides in the town of Clinton, in the State of Iowa, and to William Goodale, who now resides in Clinton, in the county of Worcester, in the State of Massachusetts; the street on which he lives has no name, but his residence is in Kendall's block, on the east side of Quilt Mill Pond;" "also at Fuller's mill, in Clinton, in the county of , Massachusetts, and to John A. Smith, who now resides in Walden, Caledonia County, in the State of Vermont."

Third. By inserting after the word "patent," in the 12th line, second page of said answer, as follows: "But allege, upon information and belief, that Charles H Morgan, who resides at No. 11 Prescott st., in the city of Worcester, and county of Worcester, in the State of Massachusetts, was the first and original inventor of the said invention, or of a substantial and material part thereof."

38 Also by inserting after the paragraph ending on the fifth line, seventh page of said answer heretofore filed, as follows:

Respondent further says, upon information and belief, that prior to any alleged invention by the said Benjamin F. Rice, the invention described and shown in the said letters patent was shown and described in a certain printed publication of pages 255, 6 & 7 of said printed publication, which printed publication was and is entitled as follows: "Principles of mechanism designed for the use of students in the universities, and for engineering students generally, by Robert Willis, M. A. & F. R. S., &c., Jacksonian professor of natural and experimental philosophy in the university at Cambridge; London, John W. Parke, West Strand; Cambridge, J. & J. J. Deighton—MDCCCXLI."

And this respondent prays as he has heretofore prayed in his original answer.

THOS. NIXON.

JAMES MOORE,
Respondent's Solicitor.

UNITED STATES OF AMERICA,
Southern District of Ohio, ss:

39 On this 23rd day of November, A. D. 1872, personally appeared before me, S. M. Sullivan, a notary public, Thomas Nixon, respondent above named, who, being by me first duly sworn, deposes and says that he has read the foregoing amendments to his original answer subscribed by him, and knows the contents thereof; and that the same are true of his own knowledge, except as to those matters which are therein stated on information and belief, and as to those matters he believes them to be true.

THOS. NIXON.

Sworn to and subscribed before me this 23rd day of November, 1872.
[SEAL] S. M. SULLIVAN,
Notary Public, M. C. O.

And afterwards, to wit, on the twenty-fifth day of November, in the

year last aforesaid, there was filed in the clerk's office of the court aforesaid a certain stipulation, clothed in the words and figures following, to wit:

40 *Stipulation 1st.*

U. S. court, south. dist. Ohio. In equity.

THE UNION PAPER BAG MACHINE CO. ET AL.
versus
THOMAS NIXON.

It is hereby stipulated by the parties to the causes above entitled, as follows:

First. That respondents therein may, within ten days from this date, file amended answers in this cause, which answer is to be filed nunc pro tunc, as of a date thirty-one days before the hearing of the said causes, the said answer to contain by appropriate allegations reference to proofs already in this cause tending to show want of novelty in the several patents upon which this suit depends, and in addition the amended answer to be filed in cause numbered 1527 is to contain by appropriate allegations reference to a certain printed publication entitled "Willis' Principles of Mechanism," which is to be offered for the purpose of showing want of novelty in the reissued patent No. 920, upon which the bill of complaint in said cause 1527 depends.

41 Second. That said printed publication, "Willis' Principles of Mechanism" may be referred to at the hearing and examination by the court to and with the same extent and effect as if it had been regularly offered in evidence before either of the special examiners appointed by the court in this cause.

Third. That all testimony taken in rebuttal by complainants, tending to prove infringement by the respondents of the third claim in letters patent No. 38452, upon which the bills of complainant, in causes Nos. 1483 and 1526 depend, shall be stricken from the record and ignored by the court when considering said causes.

GEO. HARDING,
Counsel for Compl'ts.
JAMES MOORE,
Counsel for Respond'ts.

And afterwards, but on the same day and year last aforesaid, there was filed in the clerk's office of the court aforesaid a certain further stipulation, clothed in the words and figures following, to wit:

2nd stipulation.

In the circuit court of the United States for the southern district
42 of Ohio. In equity.

THE UNION PAPER BAG MACHINE COMPANY et al.
versus
THOMAS NIXON.

It is agreed that the word "third" in answer three of Edward S. Renwick's testimony in rebuttal (page 467, printed record), and the

clause in the fourth answer of said Renwick, beginning, "My reasons for stating that the said machine contains, in substance, the improvement, or part of the invention recited in the third claim of the patent," on page 467, and ending with the words, "but does not produce any effect in either creasing or turning down the fold, which are the two purposes of the combination," on page 468, printed record, are to be erased and stricken out.

GEO. HARDING,
Sol'c'r for Complain'ts.
JAMES MOORE,
Sol'c'r for Respondents.

And afterwards, to wit, on the seventeenth day of February, in the year of our Lord one thousand eight hundred and seventy three, there was filed in the clerk's office of the court aforesaid by the said defendant, with his approved surety, a certain additional bond, clothed
43 in the words and figures following, to wit:

Additional bond.

U. S. circuit court, south. district of Ohio. In equity.

THE UNION PAPER BAG MACHINE CO., WILliam H. Chatfield and Wm. Woods,
versus.
THOMAS NIXON.

Know all men by these presents that I, Thomas Nixon, am held and firmly bound unto the Union Paper Bag Machine Company, William H. Chatfield and William Woods, in the full penal sum of five thousand dollars, to be paid to the said The Union Paper Bag Machine Company, and William H. Chatfield and Wm. Woods, their certain attorneys, representatives, administrators or assigns, to which payment well and truly to be made, I bind myself, my heirs, executors and administrators firmly by these presents, sealed with my seal and dated this 11th day of February, in the year of our Lord one thousand eight hundred and seventy-three.

Whereas the obligees above named have brought four suits in
44 equity in the circuit court of the United States for the southern district of Ohio, against the obligor and defendants above named, which suits are numbered upon the docket of the said court as above set forth.

Now, the condition of this obligation is such that if the defendants above shall well and truly pay to complainants the amount jointly and severally adjudged against them for all loss or damages that may be awarded to said complainants in case a final decree be entered in favor of said complainants, then this bond shall be void, else to remain in full force and virtue.

THOS. NIXON

Sealed and delivered in presence of—
C. D. MEAD.

And aftewards, to wit, on the sixteenth day of April, in the year last aforesaid, there was filed in the clerk's office of the court aforesaid the certain opinion of the honorable H. H. Emmons in this cause, clothed in the words and figures following, to wit:

45 The circuit court of the United States for the southern district of Ohio.

THE UNION PAPER BAG COMPANY
vs.
NIXON AND CO.

APRIL, 1873.

It is due to counsel and the court to say, that while examining this case we have been unable personally to peruse either the briefs or the record. Wholly unaccustomed to labor through the reading of others, and unable to make the memoranda which long habit renders a neccessity, we have found it impossible to dictate with anything like satisfaction even an outline of conclusions. These circumstances forbid all attempt to verify by citations the legal conclusions we announce. It must be apparent that in these circumstances we must have less confidence in the general result. The objection that the specifications of the Rice patent are so imperfect that a working machine could not be made from them has given us much trouble. Various criticisms of the experts which assert the impracticability of the discribed machine without certain readily perceived additions are not among those which have created
46 doubt. The necessity for a spring, a weight, a slight difference of mere dimensions, or other quite obvious modifications which practical use may suggest to make a machine more efficient, would not render invalid otherwise sufficient specifications; certainly not if it would work without them. Here, however, an important devise without which it could not operate at all is wholly omitted. An intelligent assistant and expart are unable to find it in either the specifications or the photolithographic copies of the Pattent Office drawings. To this precise defect the complainants' counsel directed the attention of neither of his expert witnesses nor has he referred to it in argument. It is rested upon the general unreasoned assertion of Renwick and Morgan, that from the specifications and drawings they could make an operative machine. Four cams on the main shaft are indispensable. Stated in the order in which they occur, the first moves the presser bar; the second the pasting knife; the third gives the reciprocating motion to the pasting rollers and the devices, connected with them; and the fourth, the severing blade. That which is required to give this motion to the pasting rollers is wholly omitted. This error is accompnied by another which refers to the cam that moves the pressure bar as the one which is to perform the function of that which is not described at all. Such an office by it is im-
47 possible. Another cam on the main shaft for this purpose is necessary. The specifications and drawings are to a scale. The exact reciprocating movement required for these bottom pasting rolls and accompanying devices is given, and the location of the cam on the main shaft to impart it is in no degree doubtful. An hundred intelligent mechanics would all necessarily, from data given, locate it in the same place; its shape and dimensions result from mathematical calculations well understood by all educated mechanics. The arms and connecting rod, in order to enable it to perform its office, are among the most familiar devices and we cannot agree with the experts who have sworn so pointedly that invention would be necessary to supply the omitted features. There is no other instrumentality except this cam, arms, and connecting rod which would suggest themselves to a builder by which this omission could be supplied. They are so common and obvious they

would be inserted by a mechanic as readily as a driver would put the fourth wheel on the naked axle of his coach.

It is objected that the reissue of the Rice patent is void, because it contains new matter. Four drawings representing bags to be manufactured by the machine which did not accompany the original
48 patent are referred to as bringing the case within the rule. These forms were clearly indicated by the original specification, and may be legally added to the drawings of the reissue. I was presented in this connection in the brief, and therefore somewhat out of order. We here refer to the objection that the original patent was for a machine and the reissue for a principle, and therefore void. It is of no consequence so far as this question is concerned, that the original patent is different. It may illustrate the argument, but is of no other consequence. Our judgment upon other points with sufficient fullness shows that we do not consider any of the claims in the latter subject to such an objection. That they may be so construed without violence to language is clear. That some judgments of authority have so rendered nearly equivalent words is conceded. It is a matter of construction. Did the solicitor intend to make a void or a lawful claim? The decisions leave this to be decided in view of the art, the character of the machine, the entire specifications, drawings and claims. Few cases constitute precedents for others, because in a particular case other tribunals, co-ordinate or appellate, have decided that certain words, when read in connection with their accompanying incidents, did import a claim for a result or principle. Another tribunal should not treat these judgments as
49 setting up formulas in all circumstances involving a similar meaning. They assert no such rule. All go upon a full, critical review of the accompanying facts in reference to which they have been used, excluding the idea that other courts are not to perform the same duty. Words identical should be rendered as diversely as the condition in which they are employed demand, in order not to defeat the fairly presumed intention of those who use them, applying to these rules of interpretation applicable to all other instruments. We do not think that construction necessary which renders them void. Being capable of a different reading, and there being in fact a novel meritorious set of combinations and devices for the accomplishment of a result to which they may be referred, we understand it to be a duty to give them such a reference.

It is said the first claim of the Rice patent is for the machine technically so called, and demanding for its validity the novelty of all its parts. It is held to be a combination claim.

It is conceded that if the second claim is for a supporting bar with its end distended and shaped so as to enable the oblique cut to sever the tube and form a cap for the bottom of the bag, then it is not antedated; that we so construe it will more fully appear hereafter.
50 It is only when held to be a former without more that there is any claim it is not novel. This objection is not sustained.

The third claim of the Rice patent it is alleged also antedated. If it is construed to include only the excentric spur wheel and its fellows on the side of the machine and the shaft connected therewith, then it was suggested to Pettee by Morgan and taken from Willis' Principles of Mechanism, 256. It is, however, a combination claim, including the roller which works in the supporting bar, and the devices more immediately concerned in carrying forward the paper and giving it tension while it is severed. So construed it is not claimed to be old.

It is also argued in this connection that as Rice knew this excentric cog wheel was old, it avoids his whole patent. This objection is disposed of by our construction of the claim. It is not for the mechanism he knew to be old.

The fourth claim has been abandoned by the complainants.

The first claim of the Rice patent, as construed, is not infringed by the Morgan machine. It is unnecessary to refer to the other features than the omission of the intermittant feed motion and the substitution of the *in*volving instead of the reciprocating knife.

51 That the second claim of the Rice patent is not infringed, has been argued with great pertinacity and extended discussion. Were we considering the case in much more fortunate circumstances, all its details could not be dealt with. In the present unfortunate conditions, but little more than conclusions can be stated. This claim is for the bar only, not for the former or any of the pulleys and other devices, which in the accidents of its association in the Rice machine are mechanically connected with it. It does not form the tube, and what is unnecessary for the purposes of this judgment to say, no part here claimed even aids in doing so. Decrease the size of the bar over the forming device to that of the defendant's, and the tube will still be formed; and if not, no such property in the bar is claimed. It is for a bar around which a tube may be formed, and not for one which will form it. Nor is this mere literalism; four leading features are required. First, that it be sustained in a place at a point so far removed from the forming device, no matter what that may be, as to enable the paper to be gradually bent into a tube, that the connection with the bed or table which sustains it in place shall be on the same side of the bar when the side lap of the tube is formed, and posted so that the forward

52 movement of the material may meet with no obstruction upon the top along which it proceeds; that this point of support, which so sustains it in place, shall be in the rear of the locality where the tube is completed by being united and pasted, and it must also have an end of sufficient size to distend the tube for severing, so as to form the lap for the bottom of the bag. These conditions are all found in the defendant's bar, and all the others in every machine before us. They are all necessary to enable a tube to be formed around it, to travel unobstructed by its whole length while being formed on its passage by other collateral devices, and arriving at the distended end, be so secured, without waste, to form the desired lap. The essence inheres in the conditions which give it this capacity. The contrivances to accomplish it are as ingenious as they have been beneficial to the public. Turning the bar upside down, upon a bed or table, making its dimensions from the head backwards smaller, omitting the cutting edges, and the other alterations by the defendants do not escape infringement. The side guides on the Morgan machines, the rollers that work by the side of the bar, instead of through it; the rollers in the Rice bar; the fact that by its weight or spring it presses these rollers on others beneath

53 them, to pinch, carry forward, and paste the paper, we do not consider as included in this claim. It reaches in no way to these devices intended to perform collateral functions. The bar around which a tube may be formed, and so held in place with its tube distended end, and in connection with which it may, without waste, be served in a direction to create a lap, is all which is claimed. Just such a bar, literally, the defendants use. The patent would enable them to make it. The seeming difference all depend upon the other and collateral devices for pasting, forming, carrying forward, and completing the bag. Remove

all these from both bars, and with the wholly immaterial diversity of lessened dimensions in the rear of the all-important head, it is identical in function, form, and mode of operation.

It is admitted that while the defendants used what is called the Rice machine, they infringed the first, second, and third claims of that patent.

There is much proof to show that the Pettee patent is antedated. With some hesitation, we overrule the objection as to all the claims, save the eighth and ninth.

The defendant's testimony to show want of novelty in the 1st, 2d, 3d, and 4th claims, is very strong. Without a description of the ma-
54 chinery, the relation of the parties, the transfers of title, the conditions and interest of each witness at the time he testifies, and a multitude of circumstances which we cannot reproduce, a minute analysis of the testimony would be unintelligible. That which annexes all these devices to the Morgan machine early in September, 1860, is the most formidable. There is much quite as positive in character to show that they were all on the Armstrong machine when Pettee was introduced to it before the date of his own invention. Much of the conflict might naturally result from imperfect memory, while other portions, one side or the other, are undeniably corrupt.

Substantially and without exact accuracy the history out of which this part of the contest springs is as follows:

The condition of the art in 1860 materially affects this question of fact. In the latter part of August in that year Morgan, being the assignor of the Rice patent, worked in Philadelphia a machine like his model, and which was an improvement of the former by the addition of the revolving knife. For this he obtained a patent in 1863, without making any claim to these devices. Armstrong, the other person alleged to have invented them at the same time and at the same place, was work-
55 ing a machine, and, as we think, without them. It severed the tube with the lap, but had no apparatus for pasting and finishing the bottom of the bag. September 1st in that year, he made a contract with Pettee to add machinery for that purpose and to share with him any patent which might be procured for their joint invention. He then had pending an application for a patent in which no right is asserted to anything contained in these claims. He was entitled to one-half of the Pettee patent which does claim them, and we infer promoted its procurement. We have not examined the proof in this regard, but it was conceded at the bar that he took a license under it. We assume, also, he participated in and reaped a part of the benefit of its transfer to these plaintiffs. Immediately after the date of the contract, September 1st, 1860, Pettee entered upon the work of improving Armstrong's machine and swears circumstancially that he added the devices in question. He alone of all those who are asserted to be the inventors claimed and procured a patent for them. We conclude the facts on what all this public action by Morgan, Armstrong, and Pettee indicate, that each invented what he claimed and was not the inventor of what he omitted to claim. Each knew of the action of the other. There is a large amount of most significant action in regard to this since the granting of the
56 patents. All of it is in harmony with our theory. The oaths of some of these parties, and the irrational explanation by which they attempt to account for passively resigning to another what they knew they were entitled to is incredible. In reference to the 8th and 9th claim of the Pettee patent the respondents' testimony, is full, that the pasting knife and the other devices connected with it were used by Morgan before their adoption by Pettee; nothing in the least contradicts this.

We reluctantly hold that these two claims were antedated; we say reluctantly because there is much which raises the suspicion that if the attention had been directed to these devices as pointedly as to those as those included in the 1st, 2nd, 3rd, & 4th claims the result would have been the same. We may be mistaken, but there seems to be an implication in the argument that the plaintiff's evidence does include them. However this may be, the conclusions from the record as it is can be but as declared.

The first and second claims of the Pettee patent are infringed, it is argued by the defendant, that they include only the slat and screw which fastens the bottom of the frame to the bed and are not therefore infringed unless some mechanical device is employed to effect that purpose. The defendants' frames are held in place by their own weight. The
57 essence of these two claims and substantially of the first four is the quality of adjustiability. This is a subject of a patent so far as it is embodied in practical instrumentalities to make it operative. The patentee will be protected from obvious modes readily adopted without invention for accomplishing the same end. A screw, a cord, might either laid upon or included in a heavier construction of the frames, or other obvious modes which would hold in place while at work and secure adjustability, would infring' the patent. They would cease to do so only when they accomplished it in a mode which requires such invention as to be the subject of a patent. The defendant has not escaped infring'ment by making his frames so heavy that they will lay in position without a slat and screw. He has so secured them to the table as to obtain adjustability within the meaning of these claims. The third claim is for the combination of adjustable forming rollers with a creasing pulley or pulleys. The defendants, in their industrious changes in order to avail themselves of this feature of adjustability, have successively adopted different forms of creasing ap'eratus in combination with the guides or formers. We think them all infring'ments. The last resort, and that most earnestly defended, are two rounded bars or hooks suspended from
58 a frame and adjustable with a slot and screws, by coming in contact with the paper at the same point, and having, in all respects, the same relations to the residue of the machines; they perform in the same mode the functions of the creasing-rollers. The only imputed difference we are able to glean from the elaborate argument is that the friction from the test bars is greater than that of the rollers. Various other immeterial forms so pressed in contact with the moving paper as to crease it would also increase the friction. But it would be a blemish upon the law which professes to protect useful improvements if such substitutes capable of selection by persons of ordinary intelligence are not deemed invasions of an inventor's rights. That the fourth claim is also infringed by these hut bars is involved in what is just said. That the adjustable pulleys did so is conceded; while the Morgan machine was worked with the single creasing-pulley it did not infringe this fourth claim for an adjustable one.

It is also said the third claim is void, because in the alternative. An alternative claim is invalid only inthose instances where it claims
59 positively neither of several subjects. But it is good if ail of many which are mentioned are claimed as one or the other, are employed by an infringer. If it is said A or B is claimed, this asserts a right to neither. But to claim the one or the other, as either are used, with an assertion that it has been discovered both are interchangeably available for specified purposes, is not an alternative claim within the case cited by defendants; such is the third claim in this case.

61 And afterwards, to wit, on the twenty-eighth day of April, in the year last aforesaid, came the said respondents, by James Moore, their solicitor, and filed in the clerk's office of the court aforesaid his certain motion for a rehearing of this cause, clothed in the words and figures following, to wit:

Motion for rehearing.

U. S. circuit court, south' dist. Ohio. In equity.

THE UNION PAPER BAG MACHINE CO. ET AL. }
vs.
THOMAS NIXON. }

And now comes the respondents in the above entitled cause and moves the court to grant a rehearing of said cause upon certain questions of law and fact passed upon in the opinion of the court rendered upon the hearing of said cause; said question to be more particularly pointed out in petition to be filed for that purpose in this cause.

JAMES MOORE,
Resp'd'ts Sol'c'r.

62 And afterwards, but on the same day and year last aforesaid, came again the said respondent, by his said solicitor, James Moore, and filed in the clerk's office of the court aforesaid his certain petition for a rehearing of said cause, clothed in the words and figures following, to wit:

Petition for rehearing.

U. S. circuit court, south' dist. of Ohio. In equity.

THE UNION PAPER BAG MACHINE CO. ET AL. }
vs.
THOMAS NIXON. }

To the honorable the judges of United States circuit court for the southern district of Ohio in chancery sitting:

The petition of Thomas Nixon, respondent in the above cause pending in this court, prosecuted by the said The Union Paper Bag Machine Company and William H. Chatfield and William Woods against him humbly complaining, showeth to the court:

That at the hearing of said cause and in the findings of fact
63 and conclusions of the court upon the law applicable to such facts—

This court were of the opinion—

First. That the specification and drawings attached to the reissued patent upon which the bill of complaint herein is founded was a sufficient compliance with the statute.

Second. That the third claim of the said Rice patent embraces as part thereof in addition to the spur wheels, marked, respectively, w^2 w^2 and x^2, with their link connections, and the shaft to which they are attached, other features in combination, to wit, "the roller which works in the supporting bar and the devices more immediately concerned in carrying forward the paper and giving it tension while it is severed."

Third. That the second claim of said patent has been infringed by

the respondents by the use of the machines known as the Morgan machines and represented by model Exhibit M.

Your petitioner represents that the specification attached to the said patent, when taken in connection with the drawings attached
64 thereto, are not a sufficient compliance with the statute, and that a person skilled in the art could not, from an examination of them, make or use the invention therein described or intended to be described; that the third claim of the Rice patent embraces only the spur wheels marked in the patent w^2, v^2, and x^2, and their link connections, and the shaft to which they are attached; that the second claim of the Rice patent is not infringed by respondent's Morgan machines, represented by Model M.

Wherefore this respondent prays for a rehearing of this cause upon the pleadings and proofs already in the cause upon these questions:

1st. Whether said specifications when taken in connection with the drawings be a sufficient compliance with the statute.

2nd. Whether the said third claim embraces more in combination than the wheels w^2, v^2, and x^2, with their link connections and shaft.

3. Whether machines used by respondent and represented by model M contain the invention set forth in the second claim.

65 . . And that upon such rehearing this court will find the equity of this cause with the respondent, and dismiss the bill of complaint.

JAMES MOORE,
Resp'dt's Solicitor.

James Moore, a counsellor of this court states professionally that he beleives the matters stated in the above petition to be true.

April 5th.

JAMES MOORE.

And afterwards, to wit, on the thirty-first day of May, in the year last aforesaid, an entry was made on the journal of the court in this cause, clothed in the words and figures following, to wit:

66 *Entry Q.* 51. *Decree.*

At a stated term of the circuit court of the United States of America for the southern district of Ohio. In equity.

THE UNION PAPER BAG MACHINE COMPANY,
William H. Chatfield, and William Woods,
versus
THOMAS NIXON. } 1527.

This cause having been brought to final hearing upon the pleadings and proofs, and counsel for the parties respectively having been heard thereupon, and the same having been duly considered by this court it is found and hereby ordered, adjudged, and decreed that the reissued and extended letters patent of the United States, No. 920, granted to Benjamin R. Smith and Charles H. Morgan, assignees of Benjamin F. Rice, April 28th, 1857, reissued March 6th, 1860, and extended for seven years from April 28th, 1871, for improvement in paper bag machines, and set forth in the bill of complaint filed, are good and valid, and that the title thereto is duly vested in the complainants.

67 And it is further ordered, adjudged, and decreed, that the defendant has disturbed, violated, and infringed the exclusive right

of the complainants under the said letters patent, as in the said bill set forth and specified in the first, second and third claims thereof in the machine known and designated in this case as the "Rice Machine," and have infringed the said letters patent by the use of the invention specified in the second claim thereof, in the machines used by them and designated in this case as "Morgan Machines."

And it is farther ordered, adjudged, and decreed that the complainants do recover of the defendant the profits, gains, savings, and advantages made by the said defendant, in consequence of the said infringment and violation of the exclusive rights of the complainants, under the said letters patent, together with the damages the complainants have sustained thereby.

And it is further ordered, adjudged, and decreed, that it be re-
68 ferred to Rankin D. Jones, as master, to ascertain and take and state, and report to the court an account of the gains, profits, savings, and advantages which the said defendant has received, or which have arisen or accrued to him from infringing the said letters patent, as well as of the damages the complainants have sustained thereby.

And it is farther ordered, adjudged, and decreed that the complainants on such accounting have the right to cause an examination of said defendant, "ore tenus" or otherwise, and also the production of the books, vouchers, and documents of defendant, and that the said defendant attend for such purpose before said Rankin D. Jones, master, from time to time, as said Rankin D. Jones, master, shall direct.

And it is also further ordered, adjudged, and decreed, that a perpetual injunction be issued in this suit against the said defendant, according to the prayer of the bill.

It appearing that the complainant has withdrawn the fourth claim of the said letters patent from the case, it is ordered that as to said
69 claim the bill be dismissed without prejudice, and that the question of costs be reserved until the coming in of the master's report.

And afterwards, but on the same day and year last aforesaid, a further entry was made on the journal of the court in this cause, clothed in the words and figures following, to wit:

Entry Q. 52.—Oath of master.

UNION PAPER BAG MACHINE CO. *versus* THOMAS NIXON. } Chancery.

Rankin D. Jones, the master appointed to take and state the account in the above cause, this day appeared in open court and took an oath to faithfully and impartially perform the duties of such master.

And afterwards, to wit, on the same day and year last aforesaid, a further entry was made on the journal of the court in this cause, clothed in the words and figures following, to wit:

70 *Entry Q. 52.—Leave to file amended answer.*

UNION PAPER BAG MACHINE CO. *versus* THOMAS NIXON. } In equity.

On application of the defendants they have leave to file an amend-

ment to their answer herein, by Tuesday, the 3rd day of June, 1873, and the cause is continued at defendant's costs.

71 And afterwards, to wit, on the second day of June, in the year last aforesaid there was issued out of the clerk's office of the court aforesaid a certain writ of injunction directed to the said defendant, clothed in the words and figures following, to wit:

Perpetual injunction.

THE UNITED STATES OF AMERICA,
Southern District of Ohio, ss:

The President of the United States of America to Thomas Nixon, greeting:

Whereas The Union Paper Bag Machine Company, William H. Chatfield and William Woods, have on the 13th day of November, 1871, filed on the chancery side of the circuit court of our United States for the southern district of Ohio a bill against Thomas Nixon, praying among other things the allowance of our writ of injunction to restrain you from the use, construction, or sale of certain paper bag machines containing improvements covered by the reissued and extended letters patent of the United States, No. 920, granted to
72 Benjamin R. Smith and Charles H. Morgan, assignees of Benjamin F. Rice, April 28th, 1857, reissued March 6th, 1860, and extended for seven years from April 28th, 1871, for improvement in paper-bag machines; and such proceedings were had thereunder that on the 31st day of May, 1873, after full hearing, it was ordered, adjudged, and decreed by the court that the defendants have disturbed, violated, and infringed the exclusive right of the complainants under the said letters patent, as in the said bill set forth and specified in first, second, and third claims thereof, in the machine known and designated in said case as the Rice machine, and have infringed the said letters patent by the use of the invention specified in the second claim thereof in the machines used by them and designated in this case as Morgan machines, and a perpetual injunction was ordered to issue against you according to the prayer of the bill.

Now therefore we, having regard to the matters in said bill contained and the decree of said court thereon, do hereby command and
73 strictly enjoin you the said Thomas Nixon that you desist from any further construction or sale or use in any manner of said patented improvement, or any part thereof, in violation of the rights of said complainants.

Which command and injunction you are required to observe and obey from henceforth, and during the unexpired term of said reissued and extended letters patent.

Hereof fail not under the penalty of the law thence ensuing.

Witness the honorable Nathan Clifford, Acting Chief Justice of the United States, this second day of June, A. D. 1873, and in the 97th year of the Independence of the United States of America.

[SEAL.] Attest: THOMAS AMBROSE, *Clerk.*

74 And afterwards, to wit, on the seventh day of June, in the year last aforesaid, came the marshal of this district, to whom said writ of injunction was in form aforesaid directed, and returned the same into the clerk's office of the court aforesaid, with his proceed-

ings endorsed thereon, clothed in the words and figures following, to wit:

Marshal's return.

I rec'd this writ, at Cincinnati, at 10.20 a. m., June 2nd, 1873, and served a true copy hereof, as follows, by personally handing a copy of the original to Thomas Nixon, of Dayton, O., at 11 o'clock a. m., June 4th, 1873.

WM. R. THRALL,
U. S. Marshal, S. D. O.,
By P. O. CONNELL, *Deputy.*

And afterwards, to wit, on the fifth day of April, in the year of our Lord one thousand eight hundred and seventy-eight, an entry was made on the journal of the court, in this cause, clothed in the words and figures following, to wit:

Entry S. 210.—Leave to file supplemental answer.

THE UNION PAPER BAG MACHINE CO. ET. AL.
versus
THOMAS NIXON. } In equity.

75 On motion of respondent's counsel leave is given to respondent in this cause to file his supplemental answer herein forthwith, and the same is accordingly filed.

And afterwards, but on the same day and year last aforesaid, came the said respondent, by his solicitors, James Moore and Stallo and Kitteridge, and, by leave of this court first had and obtained, filed in the clerk's office of the court aforesaid his supplemental answer, clothed in the words and figures following, to wit:

Supplemental answer.

U. S. circuit court, south. district of Ohio. In equity.

THE UNION PAPER BAG MACHINE CO. ET AL.
versus
THOMAS NIXON.

Supplemental answer.

And now comes the respondent, and, by leave of court first had and obtained, files this his supplemental and further answer herein, and avers that since the hearing and order in this cause referring this cause to Rankin D. Jones, as special master, to ascertain and report the
76 profits and gains of the respondent, to wit, on the 14th day of June, A. D. 1876, the said Union Paper Bag Machine Company demanded of the respondents, as royalty, for the use of all and singular of said machines or either of them in the manufacture of paper bags made at and before the 10th day of May, 1876, being for all bags made, and for all the use of the machines or improvements mentioned in the original bill and answer and amended answer herein and covered by the decree of the court heretofore rendered in this cause, the sum of $7,543.00, which the respondent then and there paid the said complain-

ants, and the said complainant, the Union Paper Bag Machine Company, executed a receipt therefor, a copy of which is hereto annexed and made a part hereof. And the respondent says that the contract of F. H. Morgan with the respondent Thomas Nixon, referred to in said receipt, was an agreement made by said Francis H. Morgan with this respondent, which together with a modification thereof are hereto attached and made a part hereof, whereby the said Francis H. Morgan agreed with the respondents for the payment of said sum as a royalty for the use of said machines, said Morgan being then and there
77 the owner of said three machines, with a full right from the owner of the patent in the original bill set forth to use the same at any place in the United States, and then and there sold said three machines to this respondent, and the demand by and payment to the complainant as aforesaid was made by the respondent as the purchaser and owner of the said three machines, upon and in execution of said agreement, whereby the claims of complainants for damages and profits in this cause are settled, adjusted, and discharged, and an accord and satisfaction thereof had.

And this respondent humbly submits and insists, upon the facts and circumstances as above alleged, that the complainants have no right to any further account, or other relief, as prayed for in their original bill herein.

And respondent prays to be hence dismissed with his costs.

THO'S NIXON.

JAMES MOORE &
STALLO & KITTRIDGE,
Counsel for Resp'dts.

UNITED STATES OF AMERICA,
Southern District of Ohio:

78 On this 14th day of April, 1878, before me personally appeared Thomas Nixon, the respondent above named, who, being by me first duly sworn, says that he has read the foregoing supplemental answer subscribed by him, and knows the contents thereof, and the same is true, as he verily believes.

THOMAS NIXON.

Sworn to and subscribed before me this 5th day of April, 1878.
[SEAL.]
GEORGE G. MURRAY,
Notary Public, Hamilton County, Ohio.

Articles of agreement between Francis H. Morgan and Thomas Nixon.

Articles of agreement made and entered into this twenty-seventh day of November, anno Domini 1865, between Francis H. Morgan, of the city of Philadelphia, machinist, of the first part, and Thomas Nixon, of Springfield, Ohio, of the other part, witnesseth:

That said Francis H. Morgan, in consideration of the performance by the said Thomas Nixon of the covenants hereinafter mentioned, doth hereby agree to and with the said Thomas Nixon, to erect and
79 finish and deliver to said Thomas Nixon, or his order, in the city of Philadelphia, two paper bag machines, constructed according to the letters patent granted by the United States to Charles H. Morgan, of Worcester, Massachusetts, on or before the first day of March next ensuing, for the price or sum of eight hundred dollars each, with the cost of boxing and cartage to the freight station of the Pennsylvania Railroad, in the city of Philadelphia. Said Francis H. Morgan further agrees

to furnish said Thomas Nixon with such additional machines, of like pattern and workmanship as the above mentioned, as the said Thomas Nixon may hereafter require.

And the said Thomas Nixon hereby agrees to pay for the two said machines the price above named, with cost and expense aforesaid, on the delivery thereof.

Said Thomas Nixon doth covenant and agree to and with said Francis H. Morgan that he will pay to the owner of said patent for the use of said machines, during all the time he shall use the same, a royalty or patent fee of three cents for every one thousand bags manufactured by means of said machines, commencing on the first day of July,
80 A. D. 1866, and quarterly thereafter, during all the term of the letters patent, unless otherwise discharged therefrom, said royalty to be paid in bankable funds, in such place in the city of New York as the owner of said patent may require.

Said Thomas Nixon further agrees that neither of said machines which may be furnished him under this agreement shall at any time be used by him or by any other person, with his consent, in any other State or Territory except the State of Ohio and Indiana. That he will not sell the said machines, or either of them, or any that he may procure by virtue of this agreement, to any person, until he shall have first offered the same to the said Francis H. Morgan, who shall be entitled to take them in payment of the original cost, less a deduction of twenty per cent. for each and every year the same has been in use.

Said Thomas Nixon further agrees that he will not, while this agreement is in force, manufacture paper bags by the use of any other patented machine than those procured under this agreement.

It is further provided that said Thomas Nixon may, by giving
81 six months' notice in writing to said Francis H. Morgan, on payment of all royalty due thereon, surrender the use of said machines and be relieved from the payment of said royalty thereafter.

In witness whereof said parties have hereunto set their hands and seals the day and year aforesaid.

[L. S.] FRANCIS H. MORGAN.
[L. S.] THOMAS NIXON.

Subscribed in the presence of us—
H. E. WALLACE.
J. W. POWER WALLACE.

Receipt from U. P. Bag Mach. Co. for royalty.

CINCINNATI, *June 14th*, 1876.

Received of Thomas Nixon the sum of seven thousand five hundred and forty-three dollars ($7,543.00), money due under the contract of F. H. Morgan with Thomas Nixon, dated November 27th, 1865, and in full for the amount which the said Thomas Nixon reported to be due as royalties under said contract to May 10th, 1876.

$7,543$^{00}_{100}$.

UNION PAPER BAG MACHINE COMPANY,
By EDWIN J. HOWLETT, *Pres't.*

82 *Second agreement between F. H. Morgan and Thos. Nixon.*

Whereas by a certain agreement in writing, dated the twenty fourth day of November, A. D. 1865, between Francis H. Morgan and Thomas

Nixon, it is inter alia covenanted and agreed on the part of said Francis H. Morgan that he will furnish said Thomas Nixon with such machines of like pattern and workmanship as those mentioned in said agreement constructed under the patent of Charles Morgan as he, the said Thomas Nixon, should thereafter require.

And whereas said Thomas Nixon, in and by said agreement, did covenant and agree "that he would not, while this agreement was in force, manufacture paper bags by the use of any other patented machine than those procured under the said agreement."

And whereas said Thomas Nixon did, on or about the twenty-fourth day of November last past, request said Francis H. Morgan to furnish another machine, as provided in said agreement, and the said Francis H. Morgan, being unable to do so, forwarded to said Thomas Nixon a machine constructed under the Rice patent in lieu thereof, and proposed that the said Thomas Nixon should use the same:

83 Now therefore this agreement witnesseth that the said Francis H. Morgan doth hereby covenant and agree with the said Thomas Nixon that the running of said last mentioned machine of the "Rice" patent shall not nor will be taken and be considered in any respect to violate or infract the before mentioned agreement of said Thomas Nixon in any respect whatever, or render him liable to any damages therefor, or to be considered an infraction of a certain bond or obligation given by Thomas Nixon to procure performance of said agreement bearing even date herewith.

Provided, that whenever the said Francis H. Morgan shall well and truly and in good faith supply said Thomas Nixon with such a machine as is provided for and mentioned in said first mentioned agreement, then he is to return the said machine of the Rice patent, and the obligation of his said covenant, and also of the said bond, shall thereafter be and remain in full force and virtue.

In witness whereof the said Francis H. Morgan hath hereunto set his hand and seal this second day of November, A. D. 1866.

F. H. MORGAN. [SEAL.]

Sealed and delivered in presence of us—
EDWARD S. STOKES &
HUIB. O'NEAL.

84 And afterwards, to wit, on the ninth day of April, in the year last aforesaid, came the said complainants, by Hatch & Parkinson, their solicitors, and filed in the clerk's office of the court aforesaid their certain replication to the said defendant's amended answer herein, clothed in the words and figures following, to wit:

Replication to supplemental answer.

Circuit court of the United States for the southern district of Ohio. In equity.

THE UNION PAPER BAG MACHINE COMPANY et al.
versus
THOMAS NIXON.

The replication of the above named complainants to the last supplemental answer of the above named defendant.

These repliants, saving and reserving to themselves, now and at all

times hereafter, and all manner and benefit of exception which may be had or taken to the manifold insufficiencies of said last supplemental answer, for replication thereunto, say that they will aver, main-
85 tain and prove their bill of complaint to be true, certain, and sufficient in law to be answered unto; and that the said last supplemental answer of the said defendant is uncertain, untrue, and insufficient to be replied unto by these repliants; without this, that any other matter or thing whatsoever in the said last supplemental answer contained, material or effectual in the law to be replied unto, and not herein and hereby well and sufficiently replied unto, confessed and avoided, traversed or denied, is true, all of which matters and things these repliants are and will be ready to aver, maintain, and prove, as this honorable court shall direct, and humbly pray, as in and by their said bill they have already prayed.

HATCH & PARKINSON,
Solicitors for Compl'ts.

And afterwards, to wit, on the eleventh day of April, in the year last aforesaid, an entry was made on the journal of the court in this cause, clothed in the words and figures following, to wit:

86 *Final decree.*

U. S. cir. court south. dist. Ohio. In equity.

THE UNION PAPER BAG MACHINE COMpany et al.
vs.
THOMAS NIXON.

And now comes the parties, by their counsel, and the court having considered the report of the master, Rankin D. Jones, on the reference heretofore ordered in this cause, together with the exceptions of the parties thereto, it is ordered that the exceptions of respondents to the master's report be sustained, and that the exceptions of complainants be overruled and the report set aside, and the court proceeding upon the evidence to state the account heretofore ordered to be taken by the master, do find: that the said complainants Chatfield and Woods have no equity upon the pleadings and evidence in this cause to any recovery from the said defendants; that the complainant the Union Paper Bag Machine Company is the legal owner of the letters patent upon which the bill of complaint is founded; that the said respondent
87 Thomas Nixon is the owner of the machines charged with infringing the rights of complainants; that he rented said machines to others to be used, but that he did not use said machines for the manufacture of paper bags.

It is therefore ordered and decreed by the court that the said Thomas Nixon pay to the complainant, the Union Paper Bag Machine Company, the sum of one cent as the gains and profits of defendant and the damage sustained by said complainant, the Union Paper Bag Machine Company.

The court further find that the parties hereto have already paid the special master for his services herein a sufficient sum for such services, to wit, $1,500.00.

It is therefore further and finally ordered that no further allowance be made to the said special master, Rankin D. Jones, and that the mon-

eys already paid him be not taxed as any portion of the costs in the
28 cause, and that said respondent pay the costs of this cause to be taxed.

And afterwards, to wit, on the first day of June, in the year last aforesaid, an entry was made on the journal of the court in this cause,
88 clothed in the words and figures following, to wit:

Entry S. 297.—Allowing appeal.

United States circuit court, southern district of Ohio. In equity.

UNION PAPER BAG MACHINE CO., AND CHATfield and Woods,
vs.
THOMAS NIXON.

Now come the complainants, by leave of court, and appeal to the Supreme Court of the United States from the final decree entered herein on the 12th day of April, 1878, in so far as the said decree overrules the exceptions of complainants to the master's report, finding profits and damages herein, and sustains the exceptions of respondent thereto, and finds that the complainants, Chatfield & Woods, have no equity upon pleadings and evidence in the case to any recovery from the said respondent, and orders the fees of the special master not to be taxed as costs; whereupon the said appeal is allowed and the bond is fixed at $1,000.00.

Whereupon comes the respondent, who also appeals from the decree in said cause, which appeal is now here allowed by the court, and his bond fixed at $1,000.00.

89 And afterwards, to wit, on the eleventh day of June, in the year last aforesaid, came the said respondent, Thomas Nixon, and with him his approved surety, Charles Stewart, and filed in the clerk's office of the court aforesaid his certain appeal bond herein, clothed in the words and figures following, to wit:

Respondent's appeal bond.

Supreme Court of the United States.

UNION PAPER BAG MACHINE COMPANY AND William H. Chatfield and William Woods,
versus
THOMAS NIXON.

Know all men by these presents, that we, Thomas Nixon, of the city of Dayton, and State of Ohio, and Charles Stewart, of Cincinnati, Ohio, are held and firmly bound unto the Union Paper Bag Machine Company, a corporation duly created, organized, and existing under and by virtue of the laws of the State of Pennsylvania, and William H. Chatfield and William Woods, in the sum of one thousand dollars, lawful money of the United States, to be paid to the said Union Paper
90 Bag Machine Company, William H. Chatfield and William Woods, their executors, administrators, and assigns, to which payment well and truly to be made we bind ourselves, and each of us, jointly and severally, an' our and each of our successors, heirs, executors, and administrators, firmly by these presents. Sealed with our seals. Dated the 10th day of June, one thousand eight hundred and seventy-eight.

Whereas the above-named Thomas Nixon has taken an appeal to the Supreme Court of the United States to reverse the decree rendered in the above-entitled action by the circuit court of the United States for the southern district of Ohio:

Now, therefore, the condition of this obligation is such that if the above-named Thomas Nixon shall prosecute his said appeal to effect, and answer all costs and damages, if they shall fail to make good their plea, then this obligation shall be void; otherwise to remain in full force and virtue.

THOS. NIXON. [L. S.]
CHARLES STEWART. [L. S.]

Witness:
THOS. AMBROSE.

Approved June 11th, 1878.

P. B. SWING, *Judge.*

91 And afterwards, to wit, on the fifth day of July, in the year last aforesaid, came the said complainants and with them their approved surety, Carl A. G. Adae, and filed in the clerk's office of the court aforesaid their certain appeal bond herein, clothed in the words and figures following, to wit:

Complainants' appeal bond.

Supreme court of the United States.

THE UNION PAPER BAG MACHINE COMPANY and WILLIAM H. CHATFIELD and WILLIAM WOODS, partners, as CHATFIELD & WOODS,
versus
THOMAS NIXON.

Know all men by these presents that we, The Union Paper Bag Machine Company, a corporation duly created, organized, and existing under and by virtue of the laws of the State of Pennsylvania; William H. Chatfield and William Woods, partners, as Chatfield and Woods, of Cincinnati, State of Ohio, and Carl A. G. Adae, of the said city of Cincinnati, are held and firmly bound unto Thomas Nixon, of the
92 city of Dayton, of the State of Ohio, in the sum of one thousand dollars, lawful money of the United States, to be paid to the said Thomas Nixon, his executors, administrators or assigns, to which payment, well and truly to be made, we bind ourselves, and each of us, jointly and severally, and our and each of our successors, heirs, executors, and administrators firmly by these presents, sealed with our seals, dated the 17th day of June and 5th day of July, one thousand eight hundred and seventy-eight.

Whereas the above named The Union Paper Bag Machine Company, William H. Chatfield and William Woods, have taken an appeal to the Supreme Court of the United States to reverse the decree pending in the above entitled action by the circuit court of the United States for the southern district of Ohio:

Now, therefore, the condition of this obligation is such, that if the above named, The Union Paper Bag Machine Company and William H. Chatfield and William Woods, shall prosecute their said appeal to effect, and answer all costs that may be adjudged against them, if they

shall fail to make good their plea, then this obligation shall be void, otherwise to remain in full force and virtue.

THE UNION PAPER BAG MACHINE CO.,
By EDWIN J. HOWLETT, *Prest.* [L. S.]
WM. H. CHATFIELD.
WILLIAM WOODS.
CARL A. G. ADAE.

THE UNITED STATES OF AMERICA,
Southern District of Ohio, ss:

I, Thomas Ambrose, clerk of the circuit court of the United States for the southern district of Ohio, hereby certify the foregoing to be a true and correct transcript of the record and proceedings in the case wherein The Union Paper Bag Machine Company et al. are complainants and Thomas Nixon is respondent, being cause No. 1527 of said circuit court, as fully and completely as the same remain in this office.

In testimony whereof I have hereunto set my hand and affixed the seal of said court at Cincinnati, this 9th day of October, A. D. 1878, and in the 103rd year of the Independence of the United States of America.

Attest:
[SEAL.]

THOS. AMBROSE,
Clerk U. S. Cir. Ct S. D. O.

Supreme Court of the United States.

THE UNION PAPER BAG MACHINE COMPANY, William H. Chatfield and William Woods
vs.
THOMAS R. NIXON, MORRIS H. NIXON, AND William O. Anderson.
} In equity.

THE UNION PAPER BAG MACHINE COMPANY, William H. Chatfield and William Woods, complainants,
vs.
THOMAS NIXON, DEFENDANT.
} In equity.

Appeal from the southern district of Ohio.

It is hereby stipulated by and between the parties hereto, by their respective counsel, that the full transcript in the case first above named or any part thereof may, at the trial of these cases in the Supreme Court, be used in the second case above named with the same effect as a full transcript thereof made in said second case might be used.

HATCH & PARKINSON,
Sol'rs & of Counsel for Appellants.
JAMES MOORE,
Of Counsel for Appellees.

(Indorsement on cover:) No. 342. The Union Paper Bag Machine Company, William H. Chatfield, and William Woods, appellants, vs. Thomas Nixon. Filed 19th November, 1878. And No. 431. Thomas Nixon, appellant, vs. The Union Paper Bag Machine Company, William H. Chatfield, and William Woods. S. Ohio C. C. U. S. Filed 22nd April, 1879.

Supreme Court

OF THE UNITED STATES.

THE UNION PAPER BAG MACHINE COMPANY, WM. H. CHATFIELD AND WILLIAM WOODS,
Appellants,
vs.
MORRIS H. NIXON, *et al.*
No. 95.

THE UNION PAPER BAG MACHINE COMPANY, WILLIAM H. CHATFIELD AND WILLIAM WOODS,
Appellants,
vs.
THOMAS NIXON.
No. 96.

BRIEF FOR APPELLANTS.

GEORGE HARDING,
JOHN R. BENNETT,
Counsel for Appellants.

HENRY W. TURNER, LAW AND MERCANTILE PRINTER,
26 & 28 VESEY STREET,
NEW YORK.

1881.

Supreme Court, United States.

UNION PAPER BAG MACHINE CO., *et al.*, *Appellants*, *vs.* MORRIS H. NIXON, *et al.* — **No. 95.**

UNION PAPER BAG MACHINE CO., *et al.*, *Appellant*, *vs.* THOMAS NIXON. — **No. 96.**

BRIEF FOR APPELLANTS.

STATEMENT.

The Bills of Complaint allege infringement of the reissued and extended Letters Patent of the United States No. 920, dated March 6th, 1860, for "Improvement in paper bag machines" known as the Rice Patent. The complainants are the Union Paper Bag Machine Company, owners of the legal title to said Rice Patent, and Chatfield and Wood, exclusive licensees under the same, for the States of Ohio and Indiana, and the infringement by the defendants in each of the cases is alleged to have occurred within the exclusive territory of the said Chatfield and Wood. (See Record No. 95, pages 1—5; No. 96, pages 1—5). The first of these cases, (No. 95), was brought against Thomas Nixon, Morris H. Nixon, and William Anderson, trading as Nixon & Co., defendants. (See Record, pages 1—5).

The defendants appeared denying, among other things, "that the said Thomas Nixon is, or ever has been a member of the firm of Nixon & Company, and that he has or ever had any interest whatsoever in the manufacture of paper bags for the said firm, and further says that the said respondent, Thomas Nixon, is the owner of the only machines that have ever been operated by the said firm of Nixon & Co. for the manufacture of paper bags, and for the use of which he receives at regular terms certain stipulated sums as rent."

The defendants, Morris H. Nixon and William O. Anderson, in said answer, admitted "having in their possession three machines for the manufacture of paper bags, which machines are the property of respondent, Thomas Nixon, and have been operated by the firm of Nixon & Co., in the manner and under the conditions above stated." * * *

"That said three machines are the only ones that have ever been operated by the firm of Nixon & Co., or either member of the firm, or in the operation of which they or either of them have ever had any interest whatsoever." * * *

"That so far as the two machines above referred to are concerned, that is the machine known as the Morgan or Improved Morgan Machine, that they deny they have infringed the said re-issued Letters Patent referred to in the bill of complaint (see record, pages 11–13). To which answer replication was filed and issue joined.

Immediately thereafter, it appearing, from the answer filed in the first case, that Thomas Nixon was not a member of the firm of Nixon & Co., but that he was the owner of the alleged infringing machines, and rented the same to the defendants, Nixon & Company. The first suit, so far as related to the defendant Thomas Nixon, was, on motion of complainants, discontinued without prejudice, and suit was brought against him individually by the complainants for infringement of the said Rice patent, the allegations of the bill being

substantially the same as in the first case. (See Record 96, pages 1—5.) The respondent, Thomas Nixon, appeared and filed answer to the said bill, denying the allegations of the bill, and alleging "that the only interest he has had in the manufacture of paper bags is that he was owner of three machines—and still remains the owner of two of them—which were rented to Nixon & Company of Cincinnati, for the manufacture of paper bags, and for the use of which the said Nixon & Company paid this respondent a certain fixed rent, but that he has no interest whatever in the manufacture of paper bags by the said machines, and never had any, in the bags so manufactured." (See Record 8—10.) To which answer replication was filed and issue joined.

Proofs were taken upon the issues as raised by the pleadings and the case came on for argument upon such pleadings and proofs before his Honor Judge Emmons at final hearing, who after considering the same filed an opinion, sustaining the first, second and third claims of the said Rice patent, and that the respondents, in both the said cases, had infringed the same, and decrees were entered accordingly, referring the cases to a Master to ascertain and report to the Court, "an account of the gains, profits, and savings and advantages, which the said defendants have received or have arisen or acquired to them, from infringing the said exclusive rights of the said complainant under the said Letters Patent, as well as all the damages the complainants have sustained thereby," the decrees in each of the said cases being substantially the same. (See Record, No. 95, pages 384-393, and No. 96, pages 16-23.

Prior to the entry of the decree, a petition for rehearing was made on behalf of the respondents, which petition was denied. During the progress of the inquiry before the master, the respondents, by leave of the Court, first had filed a supplementary answer, alleging that the respondent, Thomas Nixon, the owner of three alleged infringing machines, had, since the entry of the decrees, upon the demand of the Union Paper Bag Machine Company, paid to the said company for himself and the co-respondents, under an agreement between one F. H. Morgan and the

said Thomas Nixon, a royalty of three cents per thousand upon all the bags manufactured upon the said alleged infringing machines, by reason thereof the complainant had no right to any further account or relief. (See Record, No. 95, page 980, No. 96, page 26.)

After due proceedings and consideration thereof, the Master found and reported to the Court as follows: "The testimony very clearly establishes that Thomas Nixon was a man of means; was the owner of the machines; was the owner of the premises upon which the machines were operated; was the owner of the mill which supplied the paper, and supplied the capital upon which the business was conducted." All these facts, in the Master's opinion, go to make him the real infringer.

* * * * *

"The Master has decided to find in the alternative as to Thomas Nixon, that if the above state of facts make him liable, the recovery is so much, to wit, the same amount as is found against Nixon & Company, or the reason that the profits or savings, though unlawfully acquired, are the proper measure of damages against him, simply because he, by his active co-operation and substantial aid, enables the other respondents to reap the profits."

That Chatfield and Wood, the co-respondents, had sustained damages to the amount of $10,533.89, being the difference in price between what the respondents actually sold the bags manufactured by them at, and the prices actually charged by Chatfield and Wood. That the savings made by the said respondents by reason of the said Rice patent, amounted to $15,449.80. (See record, pages 595-603).

Exceptions to the Master's Report were taken both by the complainants and the respondent. (See record pages 604-612).

A final decree was entered by the court in case No. 95.

First.—Sustaining the exceptions of the respondent to the Master's report.

Second.—Over-ruling the exceptions of the complainants to the master's report.

Third.—That the Master's report be set aside.

Fourth.—That Chatfield and Wood had no equities upon the pleadings and evidence, entitling them to any recovery from the respondents.

Fifth.—That the complainants, the Union Paper Bag Machine Company, had an established license fee of four cents per thousand bags under the several patents owned by them, including the said Rice patent.

Sixth.—That the machines operated by the respondents were operated under the a license from the patentee, of the Morgan patents owned by the complainant, the Union Paper Bag Machine Company, but which license did not include the said Rice patent.

Seventh.—That the respondents had paid to the complainant, the Union Paper Bag Machine Company, a royality of three cents per thousand upon the bags made by them under said license, and that the royalty for the said Rice patent upon said bags, is one cent per thousand bags.

Eighth.—That the respondents pay to the complainant, the Union Paper Bag Machine Company, the sum of $935.00, being one cent per thousand, on 93,500,000 bags, as the gains, profits and damages, by reason of their infringement of the said Rice patent.

Ninth.—That the fees of the Master be not taxed as any portion of the costs.

(See record, pages 984-985).

In case No. 96.—

First.—Sustaining the exception of the respondents to the Master's report.

Second.—Overruling the exceptions of the complainant to the Master's report.

said Thomas Nixon, a royalty of three cents per thousand upon all the bags manufactured upon the said alleged infringing machines, by reason thereof the complainant had no right to any further account or relief. (See Record, No. 95, page 980, No. 96, page 26.)

After due proceedings and consideration thereof, the Master found and reported to the Court as follows: "The testimony very clearly establishes that Thomas Nixon was a man of means; was the owner of the machines; was the owner of the premises upon which the machines were operated; was the owner of the mill which supplied the paper, and supplied the capital upon which the business was conducted." All these facts, in the Master's opinion, go to make him the real infringer.

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Ninth.—That the fees of the Master be not taxed as any portion of the costs.

(See record, pages 984-985).

In case No. 96.—

First.—Sustaining the exception of the respondents to the Master's report.

Second.—Overruling the exceptions of the complainant to the Master's report.

Third.—Setting aside the Master's report,

Fourth.—That Chatfield and Wood, co-respondents, have no equities upon the pleading and evidence to any recoveries from the said respondents.

Fifth.—That the respondent Thomas Nixon, is the owner of the alleged infringing machines.

Sixth.—That he rented said machines to others to be used, but that he did not use said machines for the manufacture of paper bags.

Seventh.—That the said respondents pay to the complainant, the Union Paper Bag Machine Company, the sum of one cent as gains, profits and damages sustained by the complainant, the Union Paper Bag Machine Company.

Eighth.—That the fees of the master be not taxed as any portion of the costs. (See record, 29–30).

From each of said decrees an appeal was taken to this Court.

Errors Assigned.

First.—In decreeing that Chalfield & Wood co-complainants and exclusive territorial licensees, have no equities upon the pleadings and evidence in the case, to any recovery from the respondents.

Second.—In overruling the exceptions of the complainants to the master's report.

Third.—In setting aside the master's report.

Fourth.—In sustaining the exceptions of the respondents to the master's report.

Fifth.—In ordering the fees of the Special Master not to be taxed as costs.

Brief of Argument.

Chalfield and Wood, exclusive licensees under the said Rice patent, for the States of Ohio and Indiana, and the alleged infringement having been committed within that territory, were properly joined as co-complainants with the United Paper Bag Machine Company, owners of the legal title of the said Rice patent.

Littlefield *vs.* Perry, 21 Wall, 205.
Goodyear *vs.* Central R. R. of N. J., 1 Fish., 626.
Dorsey & Co. *vs.* Bradley M'f'g Co., 12 Blat., 202.

To assume that there can be no recovery in this case, except for injuries jointly sustained by all the complainants, is erroneous, as we are not aware that any such rule has ever been announced. If it has been, it is entirely unsupported by authority.

One of the advantages possessed by a Court of Equity is, that it is able to pass upon in a single suit, the rights of parties having different interests in, or sustaining different relations to the subject matter out of which the suit arises.

It is a general rule that all persons materially interested either legally or beneficially in the subject matter of subject matter of the suit shall be made parties.

One object of going into a Court of Equity for relief, is often to obtain a complete adjudication in a single suit between parties who are affected in different interests, and in various degrees, by the subject matter out which the suit has risen.

Lord Hardwick states that the rule that all parties ought to be made parties before the Court, who are necessary to make the determination complete and to quiet the questions.

It certainly is not required that all parties interested in the subject matter, however different their interest may be, should be made parties to the suit, and that the Court, in its decree, shall be limited to such a remedy as they may be jointly entitled to, in a common interest.

It appeared in the original bill of complaint, in these causes, that the several complainants held diffierent

and distinct interests, in the subject matter out of which the suit arose, and that they had been injured by the same act of defendants, in their several interests under the same grant.

If the fact that their interests were different, precluded them from a recovery in this joint suit, advantage of this should have been taken in the pleadings.

We think, however, it can hardly be seriously urged that the legal owner and the exclusive licensee under letters patent, can not join in a suit in equity to recover all the damages that they may have suffered in their several interests by the same act of the defendants; even were it so, it is now too late for the respondents to avail themselves of the objection which they urge.

By taking the royalty under the Morgan Patent, due respondents under the contract with Morgan, did the Union Paper Bag Machine Company cancel whatever right either of these complainants might otherwise have to a recovery in these suits?

The acceptance of these royalties is termed a ratification of the contract with Charles Morgan. A party cannot ratify a contract which is already in force and binding upon him. Neither can any ratification of a contract, import into it what neither of the parties to it, at the time it was made, understood the other to convey,

The contract under which these royalties were paid. was simply a contract for such right as was covered by the Morgan patent. Both parties to the contract were aware of the circumstances which precluded the grantor from conveying any right under the Rice or the Pettee patent.

The royalty was by express stipulation to be paid for the use of the Morgan patent. Other provisions were made, upon other considerations, with reference to any difficulty that might arise from the use in the same machines of in ventions covered by other patents.

The demand for the payment of these royalties was only made after these defendants had set up the license under the Morgan patent as a defense to the suit upon that patent, and the Court had held that it was a valid

and binding license, which the Union Paper Bag Company could not disturb.

The Court had no alternative but to treat this license as in force, for just what the Court had held it to convey. The Court sustained it only upon the hypothesis that the defendants had either paid or tendered the consideration for the license—that is the royalties due under it. If they had not either paid or tendered these royalties, the Court could not have sustained the license at all. It did not hold and could not hold that the licensees were entitled to protect themselves under this license against the Morgan Patent without paying for it. Neither can it hold that the Union Paper Bag Company can receive the consideration stipulated to be paid for a license to which it was not privy and which it has been held that it has no power to retract or cancel, and which the licensees have with full knowledge of its limitations chosen to avail themselves of as against this company, without thereby conveying new rights and privileges to the licensee, for which they do not now and never have paid any consideration, which the company is under no obligation to convey, and which indeed it has no power to convey.

If this contract or license was open to future retraction or ratification, the ratification occurred when the defendants chose to rely upon it as a defence to the Morgan patent. It was not the act of the Union Paper Bag Company.

When Thomas Nixon originally contracted for this license, he did so in conscious fraud of the rights of these complainants. He obtained then neither legal nor equitable rights to anything beyond a license under the Morgan patent—that is, a license that would protect him against any suit upon that patent. If his contract had been broad enough to include a license under the Rice patent, in this territory, the whole contract would have been vitiated by fraud, and could not have availed the defendant, even in a suit upon the Morgan patent.

After the contract has gone into force, and become binding upon the Union Paper Bag Company, it can

not, by simply accepting its status under that contract, (a status which it has no power to alter), pass to the defendants, new rights not conveyed by the contract already in force, and for which it receives no new consideration.

There is, however, another reason which of itself would dispose of this question.

Even if the acceptence of the consideration for a grant, which the acceptor had no power to rescind or modify, could become, in any sense, a ratification of the grant, and if such ratification could operate without without new consideration to inject into that grant additional privileges which the original grantor never undertook to convey, and the grantee never expected to receive, nor had any right to take; this could only be true where such acceptor was, at the time of acceptance, qualified to convey additional privileges.

The Union Paper Bag Company, at the time it received payment of royalties under the Morgan license, had no power to convey any right under the Rice patent in this territory, or to settle for any damages that might have accrued to the exclusive licensees within this territory by reason of the defendant's infringement.

The royalties under the Morgan license were neither paid nor received with the understanding that they were to cover anything more than the consideration due for the right under the Morgan patent, which the defendants had received from Morgan, and had availed themselves of as a defence in the suit under this patent.

The defendants undertook to tender these royalties to the Union Paper Bag Company, coupled with a receipt cunningly drawn to operate as a discharge of all claims under my patent, after the payment had been demanded specifically as for royalties due under the license of Charles Morgan.

The company refused to receive payment upon such terms, stating the reason therefor, and offering to sign only such a receipt as was limited in terms to the royalty due under the Morgan license. The money was finally paid, with the express understanding that it was

to be so received and receipted for. It was so receipted for. The defendants have never for a moment been allowed to suppose that the money was taken as a settlement of other controversies between these parties or as anything more than the consideration for a grant of which they had already availed themselves against the will of the complainant.

If the Morgan license had been open to radification by the Union Paper Bag Company, it would have had no force against them until ratified, and the commencement of the suit on the Morgan patent would have operated as a rejection of that license, and a refusal to ratify it. It could not then have availed these as a defence to the suit under the Morgan patent.

If the respondents paid as royalties under the Morgan license, royalties not due under that license, they did so in answer to a demand specifically limited to royalties due under that patent, and with the understanding that they were to be accepted and receipted for as royalties under the Morgan patent only. They alone are responsible if there was any over-payment.

The respondents contested suits on the Rice patent, before it ever occurred to them to attempt to construe the contract with Morgan as conveying any right as against either of those patents. The second suits—the present ones—upon the Rice patent has been brought to final hearing, when it first occurred to them to endeavor to put such a construction upon the license.

The question has, however, been fully disposed of by the Court at the former hearing. The license was then construed and sustained upon the assumption that the stipulated consideration for it had either been paid, or was ready to be paid. It held that the license was not one which the Union Paper Bag Company could rescind, by refusing to receive the stipulated consideration. It did not hold that the defendants could avail themselves of this license, as a defense against the Morgan patent, without paying the stipulated consideration for it, or that the complainants were reduced to the alternative of allowing them to enjoy this license without paying

for it, or of remitting all claims which they had against them in other rights.

The royalty fees were the consideration which supported the grant, which the Court held was binding upon the complainants. It could not afterwards become the consideration for the conveyance of any additional rights to the defendants, which the Court expressly held they had not obtained under the original grant.

There is no pretence that Chatfield and Woods were parties to the transaction by which the Union Paper Bag Company received these royalties. They could under no circumstances be prejudiced in their rights to recover the damages sustained by them as exclusive licensees by any act done by the Union Paper Bag Company since the grant of their license.

In order that a person may be liable as joint tort-feasor, it is not necessary that he be connected with the tort in the same way as the remaining tort-feasor, but simply that that he be in some way connected with, or accessory to, the tort. It is sufficient if he in any way contributes to the tortions act, or aids, encourages, or abets it.

All persons who direct or request another to commit a trespass are liable as co-trespassers.

All who aid, command, advise or countenance the commission of a tort by another, or who approve of it after it is done, are liable, if done for their benefit, in in the same manner as if they had done the tort with their own hands.

Thus, a person who is present at the commission of a tresspass, encouraging or exciting the same by words, gestures, looks, or signs, or who in any way or by any means concountenances and approves the same, is by law deemed to be an aider and abettor, and liable as principal." 2 Hilliard on Torts, 2-3.

A party not personally engaged in the acts of taking, using and disposing of the property, but who co-operated with the principal actor, by aiding and abetting him in doing these acts, and subsequently recognized and approved of them; or one who advised and assisted in the measures taken to obtain possession, and for whose

benefit the acts were in part done, and who subsequently approved of and adopted them, is chargeable with the conversion. * * * * * * *

In order to constitute a joint conversion of personal property, the acts of the several defendants need not be *contemporaneous*, if their acts and purposes all tend to the same result."

2 Hilliord on Torts, 295. See also to same effect, addition on Torts, p. 156.

Any person who furnishes the implements for the commission of any tortious act with the knowledge that they are to be used for the commission of that act, or who allows property under his control to be so used, becomes thereby a party to such tortious act and liable for all damages that may arise from it.

Any person who furnishes money for the purpose of carrying on a trespass, with the understanding that is to be used for that purpose, is liable for the trespass when committed, and jointly liable for all damage produced by those who were the active agents in carrying it out.

Any person who commits any act intended to facilitate the commission of a trespass, is liable for the damages which follow from that trespass.

The evidence shows clearly that Thomas Nixon furnished the infringing machines to Nixon & Anderson for the purpose of running them in complainant's territory, and that in addition to this, he supplied Nixon & Anderson with the capital with which to run them.

It shows that they continued to be run with his knowldge and consent, and by his active connivance.

It is not necessary under these circumstances to dwell longer upon the question of his liability.

That Thomas Nixon conveyed no legal right to commit this trespass is not disputed. If he had conveyed such legal right, neither he, nor Nixon & Anderson, would be liable. It is not the law that a person must convey a legal right to commit a trespass before he can become an accessory to the trespass. It is contributing the means of committing the trespass and for the purpose of commit-

for it, or of remitting all claims which they had against them in other rights.

The royalty fees were the consideration which supported the grant, which the Court held was binding upon the complainants. It could not afterwards become the consideration for the conveyance of any additional rights to the defendants, which the Court expressly held they had not obtained under the original grant.

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benefit the acts were in part done, and who subsequently approved of and adopted them, is chargeable with the conversion. * * * * * * *

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ting the trespass, which he had no legal right to contribute for that purpose, which constitutes the offense and the ground of liability in this case.

Where several persons are jointly engaged in the commission of a trespass, though acting in different capacities, each of them is liable to the full extent of the damage occasioned by the act of any or all of them. See 2 Hilliard or Torts, 297.

The rule that an established license fee shall be taken as an estoppel upon a complainant against a larger recovery, so far as it is established at all, applies only to the party, who, as the owner of the patent, has established such license fee.

It has no application where the rights of the licensee against infringers of his exclusive license under the patent are concerned.

The theory upon which the Courts have adopted such a measure of damages is, that a party who has elected a certain mode of obtaining his compensation for the use of his patented invention, and fixed a limit to such compensation, shall not be allowed to go beyond that limit. Even as between the owner of the patent and infringers, there are many circumstances which may modify or prevent the application of this rule.

In the present case we have to determine both the damages resulting to the owner of the patent and the damages resulting to the exclusive license under the patent. It is obvious that the license fee paid cannot be the measure for both.

If an exclusive license has any value, the exclusive license is entitled to an award of all such damages as he may have sustained from the disturbance of his exclusive right.

An award to his licensor, commensurate with the fee or royalty which he pays for his license, cannot become a bar to his right to recover for such damages as he, in his capacity as exclusive licensee, has sustained by reason of the infringement of his right.

The complainants are entitled to compensatory damages; that they are entitled to adopt as the measure of

such damages the profit which they might have made by the manufacture, sale, or use of the articles covered by their patent, if the defendants had respected their right and refrained from interference; that were the patented device is seperable from the machine with which it is used, and an entity by itself, and has been so used that the profits made upon it are preserved seperate from or distinguishable from those made upon other parts of the machine, the complainant are entitled as the measure of defendants' profits, to claim such profits only as are due to or made upon this particular devive; that where the patent covered an inseperable and constituent part of the machine itself, without which it would fail to have any existence as an operative machine, or where the profits made by or the damages due to the use of the patented device, had been, by the defendant, so merged with the damages or profits arising from other parts of the machine as to be indistinguishable from them, the complainants are entitled to recover all the profits made upon the machine or all the damages arising from its wrongful use.

If any other rule is adopted, it must be a departure from the rules that apply to the recovery for all other trespasses.

No reason exists for any such departure.

Upon any different rule, it would be always possible for a cunning trespasser to so mingle the infringing device with other devices, or so mingle the profits arising from its use with profits arising from other sources, as to preclude any recovery.

Trespassers cannot thus intrench themselves behind their own wrongful acts.

The profits reported are limited to those actually made by defendants. The damages must include all injury suffered by the complainants by reason of the interference of the defendants. The two are not to be confused.

It is well settled that irrespective of the provision of the statute of 1870, the complainant in equity is entitled

to recover compen satory damages; that provision of the statute is as explicit and unambiguous as language could make it.

There certainly was good ground for the introduction of the provision which enables the complainant to secure his injunction and his compensation for infringement, upon whatever basis he may choose to have that compensation estimated.

In many cases, the profits actually made by the infringer would afford no compensation for the jury inflicted The injury might be enormous, and yet, by reason of bad business management, the profits little or nothing.

In many cases, the most serious damages are inflicted by infringers, who cut down the marketable value of the patented invention to such an extent that neither they, nor the owner of the patent make any profit whatsoever; when, if the owner of the patent were left undisturbed, his margin of profit would be very large.

In such cases grievous injury is inflicted upon the owner of the monoply by the wrongful act of the infringer.

It cannot be said that where there is such a wrong there is no remedy.

The provision of the statute of 1870, especially authorizes and empowers that Court to administer the remedy, which is so constituted, as to do so most accurately and thoroughly, and, at the same time, has jurisdiction to apply such relief in the way of an injunction or an account of profits, as the circumstances of the case require.

In Philip *v.* Nock, 17 Wall. 460, the Caurt says:

The measure of the damages to be recovered against infringers, prescribed by the act of 1836, as well as by the act of 1870, is "actual damages sustained by the plaintiff." Where the plaintiff has sought his profit in the form of a royalty paid by his licensees, and there are no peculiar circumstances in the case, the amount to be recovered will be regulated by that standard. If that test cannot be applied, he will be entitled to an amount

which will compensate him, to which he has been subjected by the piracy. In arriving at their conclusion, the profit made by the defendant, and that lost by the plaintiff, are among the elements which the jury may consider."

As the several questions raised by the appellants necessitate a full discussion and consideration of *all the evidence* taken before the Master, it is thought sufficient, in this brief, to refer to the same as found in record of case, No 95, without abstracting the same in detail. It is respectfully submitted that in view of the foregoing, the decree of the Circuit Court should be reversed, so far as the errors assigned.

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JOHN R. BENNETT.

Counsel for Appellants.

In the Supreme Court of the United States.

THE UNION PAPER BAG MACHINE COMPANY *et al.*
vs.
MORRIS H. NIXON *et al.*

No. 95.

THE UNION PAPER BAG MACHINE COMPANY *et al.*
vs.
THOMAS NIXON.

No. 96.

ARGUMENT FOR APPELLANTS.

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Supreme Court of the United States.

The Union Paper Bag Machine Company, William H. Chatfield, and William Woods,

vs.

Morris H. Nixon et al.

No. 95.

The Union Paper Bag Machine Company, William H. Chatfield, and William Woods,

vs.

Thomas Nixon.

No. 96.

ARGUMENT FOR APPELLANTS.

The period covered by the accounting in this case is included between the 29th of June, 1871, when the appellants, Chatfields & Woods, received their exclusive license from the Union Paper Bag Machine Company, and the date of service of the injunction against the appellees, to wit, June 9th, 1875.

It was established by the decision and opinion of the court below, on the merits of this case, that the supporting bar and expanding head, which form the subject-matter of the second claim of the Rice patent, were not only infringed by the appellees, but were, so far as

the evidence shows, an essential part of the mechanism of any machine intended for the manufacture of paper bags from tubes of paper. (See opinion of the court, page 384, and decree, 392).

The master to whom the case was referred first proceeded to ascertain, from the evidence taken before him, the cost of manufacturing a thousand bags on the Rice machine, and then the cost of manufacturing such bags by hand, the only way of making the same open to the appellees that did not necessitate the infringement of the second claim of the Rice patent. The master next ascertained how much the cost of manufacturing a thousand bags was lessened by the improvements upon the Rice machine, which the defendants used, and which were not infringements of any patents owned by the appellants, and from these data he finds the savings accruing to the appellees by means of their infringements of the Rice second claim to be the difference between the cost of manufacture by the Rice machine pure and simple, and the cost of manufacture by hand plus the amount saved over the cost of manufacture on the Rice machine by means of the additional improvements used by the appellees. (See Master's report, pages 565–603).

It was claimed by the appellants in the court below, that on substantially the same grounds considered by the master, the savings to the appellees by the use of the Rice inventions amounted to $53,548.26 (Rec. page 592); the master also finds that the appellants, Chatfield & Woods, who, with the exception of the competition of the appellees, had substantially a monopoly of the market where both parties to this suit sold their bags, and could and would have supplied the entire demand of the said market were it not for the infringement of the appellees, were undersold to the extent of five per cent. by the appellees; and that their profits on the number

of bags sold by the appellees would have been, had they been made and sold at the established price of the appellants, $74,556.32, which sum should be allowed to the appellants, Chatfield & Woods, as their damages by reason of the appellees' infringement during the period of the accounting. (See Rec., page 593; also Chatfield & Woods' testimony, page 423, Q. 18.)

The master, however, in estimating the damages suffered by Chatfield & Woods, simply takes the difference in the price per thousand at which they sold their bags in the Cincinnati market and the price at which the appellees sold in the same market, and finds from these facts that their damage would amount to this difference on the total quantity of bags sold, to-wit: Ninety-three million five hundred thousand, which he estimates to be $10,533.89. (Rec. page 601; Schafer's testimony, page 532; Chandler's testimony, 525; Dymond's testimony, page 522.)

That the damage to the appellants, Chatfield & Woods, must be at least the amount found by the master there can be no question.

In his computation of the savings made by the appellees the master proceeded in the manner before stated, and finds the amount to be $15,449.80, a sum greatly less than that estimated by the complainants on substantially the same basis, and arrived at by the master by giving the appellees the benefit of all the doubtful questions as to the cost and savings which have been raised by the evidence.

To avoid the necessity of discussing at length such questions with respect to the appellees' savings as seemed to the master not fully proven, or subject to some doubt upon the evidence, we have elected on this appeal to confine ourselves to the amount found and the testimony relied upon by the master in finding the same.

Cost of Running two Paper-Bag Machines by Day or Night Run.

It is stated in the master's report (page 602) that the cost of running two paper bag machines to the respondents, per day or night run, amounted to $24.08. This the master itemizes as follows:—

1.	Fuel	$1 80
2.	Flour	1 28
3.	Superintendent	4 00
4.	Foreman	3 00
5.	Fireman	2 00
6.	Bundler	2 00
7.	Two men @ $1.50	3 00
8.	Two girls @ $1.00	2 00
9.	Rent	2 00
10.	Wear and tear	3 00

These figures are taken by the master from the testimony of William O. Anderson, one of the appellees (pages 413, 414).

No question therefore can be raised by the other side as to their correctness.

Upon the testimony of this witness also, the master founds his findings that the complainants ran two machines at a time, and that this estimate of the cost of running the appellees' machines is, in reality, considerably over-estimated by the witness can readily be seen by reading his testimony. (Page 414.)

The master's computation of the number of days or nights during which the appellants ran two machines, and the number of bags produced by each of the said runs, is also founded on this witness' testimony (see pages 415–17); and the tables submitted by the appellees as showing the total product of their firm during the period covered by the accounting.

Cost of Manufacture by Hand.

The master's estimate of thirty-five cents per thousand for hand labor in making bags without the aid of machinery is, we think, more favorable to the appellees than the evidence warrants.

Charles S. Burns, the witness examined on behalf of the complainants, manufactured paper bags by hand during a greater part of the period included in the accounting, and both manufactured and sold them in the district and market wherein the appellees made and sold their bags. (See his testimony, pages 537– .)

He employed girls to make his bags, and says (page 538, answer to Q. 21):

"The girls' wages from Nos. 1 to 8 were sixty cents; Nos. 10 to 16 inclusive, one dollar; Nos. 20 to 25, one dollar and twenty-five cents; Nos. 35 to 50, one dollar and fifty cents per thousand."

In addition to these expenses for labor or wages he had a forewoman at ten dollars per week, and a boy at two dollars and fifty cents, and he himself acted as superintendent. (See his answers to questions 23 to 24.)

During a portion of the time he was manufacturing, his prices were lower than the ones above stated (see page 544), where he states that he paid for labor per thousand—Nos. 1 to 8, 40 cents; Nos. 10 to 20, 65 cents; Nos. 25 to 35, $1.00; and No. 50, $1.20 per thousand.

A number of witnesses were examined by the appellees on this subject. Among these was Robert A. Rogers, whose testimony will be found on pages 556

He manufactured bags on a limited scale at Dayton, Ohio, where girls' wages were very much lower than those paid at Cincinnati, and paid from 30 to 40 cents per thousand bags.

John F. Moser, another witness, called by the respondent on this subject, manufactured bags in Cincinnati, where he kept a grocery, and paid for labor in manufacturing paper bags, which was a part of his business, on an average about 40 cents per thousand (see his testimony, page 574).

These witnessses, it appears, manufactured a bag somewhat different in shape than the machine-made bag of the appellees in this case, and the appellees call one J. P. Raymond, a manufacturer of flour sacks, but who did not manufacture grocers' bags, who is induced, after repeated questions, and after he had explained that he did not know anything about it, to make a wild guess that such bags as Burns and others manufactured would cost three times as much for labor as the square bottom bag made by the machines if made by hand (page 578). This witness is, however, flatly contradicted by another of the appellees' witnesses, who *does know* something about the manufacture of grocers' bags (see F. W. Reiter's testimony, page 483).

This witness states (Q. 7) that he paid for labor per thousand bags from No. ¼ to 4 inclusive, 30 cents per thousand; 5 to 12 inclusive, 40 cents per thousand; 14 to 25 inclusive, 50 cents per thousand; 30 to 35 inclusive, 65 cents per thousand.

This witness made and sold his bags in the same district, and in competition to the machine-made bags of the parties to this suit; he also made a bag somewhat different in shape from the square bottom machine bag, and says he likes his own shape of bag rather better; he was asked by counsel for the appellees as follows:—

(Q. 12). "Is there more work in making the satchel-bottom bag by hand than there would be in making the ordinary flat bottom machine made by hand?"

(A. Q. 12). "Rather a difficult question to answer. Shall

I explain if we had the paper cut for the purpose of making machine bags we could make them *as cheap* or cheaper than the satchel-bottom."

As this witness states (page 484) the satchel-bottom bag is made from the paper just as it comes from the manufacturer, without any further cutting of the paper being necessary (see his answer to Q. 25), while the square bottom machine-made bag would have to be cut by special mechanism, as the form of the sheet of paper from which it would have to be made by hand is irregular so as to provide for the "lip and lap" of the bag. See also pp 924 – 928

From the evidence of these witnesses of the appellees, even if the complainants' witness, Burns, is not considered, it would be seen that the master, in finding thirty-five cents per thousand as the average cost of making bags by hand, is at least as low in his estimate, if not lower, than the evidence will warrant him in going.

Having found the above facts from the evidence referred to, the master finds from them (page 603) that the cost to the appellees of manufacturing ninety-three millions five hundred thousand bags, which their books show that they manufactured during the period by the accounting, was $8637.60. The cost for the same number of bags made by hand, he finds to be $32,725.

$32,725	00
8,637	60
$24,087	40

$24,087.40 is the difference in the cost between hand-made bags and the same quantity made by the machines used by the appellees, but the appellees' machines embraced features not in the original Rice patent which greatly increased their efficiency, and which the appellees had a right to use.

The difference in the cost per one thousand bags between the Rice machine and the improved machine used by the Appellees.

In finding the value of the Morgan improvements, or such other improvements on the original Rice machine as were used by the appellees in the manufacture of their bags during the period of the accounting, the master relies not on the testimony of the appellants, but on that of the appellees. Indeed his finding that the capacity of the Rice machine was doubled by means of the improvement, is rather more favorable to the appellees than their own testimony warrants. (See the table by William O. Anderson, one of the appellees, pages 412–13.)

This Anderson says the Rice machine would average seventeen thousand No. 8 bags per day; the improved machine would average thirty-eight thousand of the same size; the Rice machine would average sixteen thousand No. 10 bags, the improved machine twenty-six thousand bags; the Rice machine fourteen thousand No. 12 bags, the improved machine twenty-eight thousand; the Rice machine twelve thousand No. 20 bags, the improved machine twenty-three thousand.

This testimony of Anderson is corroborated and vouched for by Charles A. Nixon, another of the appellees' witnesses (page 473, Q. 6).

Of the smaller sized bags William Nichols, another of the appellees' witnesses, testifies that the Rice machine would average from twenty-five to thirty thousand o Nos. 1 to 4 (page 489, Q. 8); Anderson's table, page 412, shows that the improved machine averaged fifty-nine thousand No. ½; sixty-nine thousand No. 1; sixty-four thousand No. 2; fifty-five thousand No. 3; fifty-four thousand No. 4, &c.

The master, then, in saying that the improved machines used by the appellees were twice as efficient as the Rice

machine was, certainly going as far in favor of the appellees, as their own witnesses would warrant him in doing.

The master, therefore, finds the cost of the manufacture of the number of bags made by the respondents of which an account was taken, would have been $17,275.20, if they had used the Rice machine without improvements, or just twice as much as the actual cost to them while using the improved machine. Subtracting this from the cost of the same number of bags made by hand,

$32,725	00
17,275	20
$15,449	80

$15,449.80 he finds to be the savings accruing to the appellees by reason of their infringements on the Rice patent, and that the master could not possibly have found less than this the testimony relied upon by him, and cited above, clearly shows.

Royalty paid under the Morgan License.

During the accounting before the master in this case, a decision was rendered in another case pending in the Circuit Court against these appellees for the infringement of the Morgan patent, which decision was to the effect that the appellees had a valid license to use the Morgan patented improvements under a certain contract between them and Francis H. Morgan, a brother of the patentee, which contract will be found on page 930 of the Record.

The court also finds that the Union Paper Bag Machine Company, who were the owners of the Morgan patent by assignment from Charles H. Morgan, were bound by this license so far as it related to the said patent (see decree of the court, page 913 of the Record).

The said company, who had previously refused to accept any royalty from the appellees under that contract, having had the same judicially interpreted, and found from the decree of the court that their acceptance of such royalty could not be construed to be a license to the appellees to use the Rice patent, accepted from the appellee Thomas Nixon an account of the bags manufactured under the Morgan license by the Morgan machine, and his check for $7543, as the royalty reserved on the same. Of this sum $2855 would of course be royalty on the 93,500,000 bags included in the present account, and this amount is what the appellees paid for the $8637.60 increased profit to them by the use of the Morgan patent on the Rice machine.

GEORGE HARDING,
FRANCIS T. CHAMBERS,
Counsel for Appellants.

In the Supreme Court of the United States.

MORRIS H. NIXON *et al.*
vs.
THE UNION PAPER BAG MACHINE COMPANY.
No. 181.

THOMAS NIXON
vs.
THE UNION PAPER BAG MACHINE COMPANY.
No. 182.

BRIEF FOR APPELLEES.

GEORGE HARDING,
FRANCIS T. CHAMBERS,
Counsel for Appellees.

Allen, Lane & Scott, Printers, 229-231 South Fifth Street, Philadelphia.

Supreme Court of the United States.

Morris H. Nixon et al. vs. *The Union Paper Bag Machine Company* et al.	No. 181.
Thomas Nixon vs. *The Union Paper Bag Machine Company* et al.	No. 182.

BRIEF FOR APPELLEES.

Statement of the Case.

The above-entitled causes are brought by the complainants, the present appellees, against the appellants, for the infringement of re-issued and extended letters patent No. 920, originally granted to the assignees of Benjamin F. Rice, for an improvement in paper-bag machines. Thomas Nixon, appellant in the second of the above suits, was originally joined as a defendant in a suit against Morris H. Nixon and others; but upon the filing of an answer in that suit denying that Thomas Nixon was a member of the firm of Nixon & Anderson, his name was withdrawn without prejudice and a second suit brought against him individually. This is the case

standing on the court's dockets as No. 182. The infringement complained of by the appellees was the possession and use by the defendants (appellants) of three paper-bag machines, which machines, it appears by the defendants' answers and their testimony, were owned by Thomas Nixon, and used by the firm of Nixon & Anderson, the Nixon of the firm being a son of Thomas Nixon.

Answers were filed by the appellants in both suits, denying that these machines infringed the Rice patent; and further assailing the validity of the said patent on several specified grounds. On these issues much testimony was taken, and the case heard by the lower court, which decided that the complainants' letters patent were valid and were infringed by the defendants, and referred the case to a master, to ascertain and state an account of the profits made by the defendants through their infringement; and also of the damages suffered by the complainants.

While the cause was pending before the master, appellants obtained leave and filed supplemental answers. (See page 980, in record of 95 and 181; and page 27 in record 96 and 182.)

It is upon the issues raised in these supplemental answers that these cases are to be heard by this court, since the appellants, in their brief, have raised no question as to the propriety of the decision of the lower court on the questions of infringement and validity.

The supplemental answers of the appellants set out that since the hearing and the orders of reference in the above cases, the Union Paper Bag Machine Company, one of the complainants, the present appellees, had made a demand upon them for royalty on the paper bags manufactured by means of the three machines alleged, in these cases, to be infringements upon the Rice patent, founding their claims on the agreement of license entered into by Thomas Nixon and Francis H. Morgan, at the time

when Nixon bought the three machines; the said company having since the sale become possessed of the patent of Charles H. Morgan referred to in the agreement of license, and under which the royalty was reserved. The appellants allege that they have paid to said complainant the sum of $7543, the amount of royalty due under the license, for which they received the receipt attached to their answer; they further allege that Francis H. Morgan was, at the time he sold the machines to Thomas Nixon, the owner of the said machines, with the full right, from the owner of the Rice patent, to use the same at any place in the United States, and they claim that by reason of the aforesaid facts the appellees' claim for damages and profits, in these cases, were settled, adjusted, and discharged; and they further submit that the appellees have no right to any further account, or other relief, as prayed in their original bill.

The final decree of the lower court in the case against Thomas Nixon (page 29, Rec. 96 and 102), without treating in detail the matters raised by the exceptions filed by the parties to the Master's report, sustains the exceptions of the respondents, and overrules the exceptions of the complainants. The court sets aside the master's report, and proceeding upon the evidence itself, states the account theretofore ordered to be taken by the Master, finding

First.—That the complainants Chatfield & Woods have no equity upon the pleadings and evidence, in this case, to any recovery from the defendants.

Second.—That the complainant the Union Paper Bag Machine Company is the legal owner of the letters patent sued upon; that Thomas Nixon is the owner of the infringing machines, and that he rented the said machines to others to be used, but he did not use them himself in the manufacture of paper bags.

Third.—The court then orders that the respondent, Thomas Nixon, pay the Union Paper Bag Machine Company the sum of one cent as the gains and profits to the defendant and damages of the complainant.

Fourth.—That no further allowance be made to the master, and that the sum theretofore paid to him be not taxed as costs.

Fifth.—That the respondent pay the costs, in these cases, to be taxed.

In the case against Morris H. Nixon and others, the court makes the same ruling as in the suit against Thomas Nixon, with respect to the exceptions and the master's report; and, proceeding upon the evidence, finds:

First.—That Chatfield & Woods have no equity to any recovery.

Second.—That the Union Paper Bag Machine Company is the legal owner of the letters patent sued upon; and further, that it has an established license fee of four cents per thousand bags upon the letters patent mentioned in its licenses to Chatfield & Woods and others, of which patents the Rice patent was one, and that the machines operated by the respondents are operated under a license from the patentee of certain patents owned by the complainants, the Union Paper Bag Machine Company, which license did not include the inventions covered by the said Rice patent.

Third.—That the respondents have paid to the complainants, the Union Paper Bag Machine Company, three cents per thousand bags, upon the bags made by them, as a royalty under their said license; and that hence the

license fee, under the Rice patent, is established to be one cent per thousand bags.

Fourth.—That the respondents had manufactured 93,500,000 bags by the use of the machines containing the Rice invention; and, therefore, their gains and profits and the damages of the complainants amount to and are found to be $935, which the respondents are ordered to pay to the complainants, the Union Paper Bag Machine Company.

The court then proceeds to dispose of the question of the master's allowance and costs of the suit, in the same manner that it did in the suit against Thomas Nixon.

From these decrees appeals were taken by the respondents in each case, no reason for appeals, however, being assigned. It is submitted, therefore, on behalf of the appellees:—

I.

That the supplemental answer filed by the appellants after the reference of these cases to the master purports to be, and is, only an answer to the complainants' demand for the profits and savings of the defendants and the damages of the complainants, arising from the past infringement of the Rice patent; and that, therefore, the only question before this court is, whether the lower court erred in deciding in the suit in which Morris H. Nixon and others are defendants; that the complainants, the Union Paper Bag Company, were entitled, in addition to the royalty paid under the Morgan license, to a further sum of $935, as the gains and profits of the respondents, and the damages of the complainants under the Rice patent. No question can arise (under the pleadings to which the appellants have elected to confine their appeal), in the case against Thomas Nixon, since only nominal damages were decreed against him by the court.

(*a.*) If the lower Court erred in finding that the Union Paper Bag Machine Company was entitled to $935, both as its damages and as the profits and savings of the respondents Morris H. Nixon *et al.*, it is an error in favor of the said respondents, since from the evidence referred to by the court in the final decree (page 984), viz., the company's license (page.), the Morgan license set up by the respondents in their supplemental answers (page 981), and the evidence as to the number of bags manufactured by the respondents (page), clearly shows that the Union Paper Bag Machine Company was, in any event, entitled to this amount of damages without taking into consideration, in any manner, the gains and savings of the respondents.

(*b.*) That the Court erred in not decreeing that Chatfield & Woods, the exclusive licensees under the Rice patent, were entitled to the gains and savings of the respondents accruing to them by reason of their infringement of the said patent, is contended by these appellees in the cross-appeals taken by them in these cases.

II.

If the Court should be of the opinion that any question besides that of the propriety of the findings of the Court below, from the evidence taken before the master, are properly raised in these cases upon the allegations of the supplemental answers of the appellants; and that the appellants have a right under the said supplemental answers to raise the question whether they were infringers of, or licensees, under the re-issued and extended letters patent to Rice, upon which the bills in these cases are brought; it is submitted,

1. That neither Francis H. Morgan nor Charles H. Morgan had, at the time the three machines adjudged to

infringe the Rice patent in these cases were built, any right to make, use, or sell, or license others to make, use, or sell, in the territory wherein the appellants used these machines, any machines embodying the inventions and improvements described and claimed in the Rice patent; the said Charles H. Morgan, as one of the owners of the Rice patent, having, prior to the building of the said machines, joined in granting an exclusive license under the said patent to the firm of Nixon & Chatfield for a district or territory including the place where these machines were used by the appellants (Rec. pages 280–3).

2. The appellant, Thomas Nixon, the owner of the machines adjudged herein to infringe the Rice patent, was a member of the firm of Nixon & Chatfield when they received the exclusive license under the Rice patent from Charles H. Morgan and others, and before his purchase of the said infringing machines, sold his interest in the good-will and properties of the said firm to the firm of Chatfield & Woods for a sum exceeding $125,000; hence, in bringing these machines into the district wherein they had the exclusive right to the use of the Rice patent, he not only acted with a full knowledge of the fact that neither of the Morgans could give him any right to use the machines there, but also with the knowledge that his doing so was a direct fraud as between himself and Chatfield & Woods, whose vendor with respect to the exclusive license he was (Rec. pages 283–5).

3. Both parties to the sale of the three infringing machines and the license to use the same having acted with a guilty knowledge of the facts that the vendor had no right to give such license, and the vendee no right to receive the same, it can not be pretended that this pretended contract (though of no effect and void under the

original term of the patent, as it unquestionably was) was effectual to place the three machines in question out of the monopoly at the expiration of the original term, and when the patent had been extended on the application of the administratrix of Benjamin F. Rice.

ABSTRACT OF TESTIMONY.

The Rice patent was originally issued to Charles H. Morgan and Benjamin R. Smith, as assignees of Benjamin F. Rice (page 362). On the 1st of January, 1859, Benjamin R. Smith sold his one-half interest in the Rice patent to Leonard Whitney, Jr., and Thurston Priest (page 278). On the 11th of February, 1859, Charles H. Morgan, Whitney, and Priest, owners as aforesaid of the Rice patent, sold and executed to Nixons & Chatfield the exclusive license to use and employ the inventions claimed in the Rice patent in the manufacture of paper bags within the territory "included between the 36th and 40th parallels of latitude, and also between the 2d and 18th parallels of longitude west of Washington City, and that other portion of the United States lying between the 40th and 41st parallels of latitude and between the 2d and 4th parallels of west longitude, it being understood that the territory so licensed is bounded on the north and south by said parallels of latitude and east and west by said parallels of longitude, and is included within all of the said boundaries, and that the license hereby granted excludes the parties of the first part from granting said right of using machines to any other parties within the said territory while this remains in force." (See pages 280–3.)

Thomas Nixon was a member of this firm of Nixons and Chatfield (p. 283).

It appears in the evidence of Francis H. Morgan that the three machines which he afterwards sold to Thomas Nixon were built by the firm of Morgan Brothers, of

which Charles H. Morgan was a member, probably in 1863, or at a time many years after Charles H. Morgan had joined in granting the exclusive license to Nixons & Chatfield (x. q. 19, p. 897).

These machines passed into the possession of the firm of Morgan, Stokes & Nixon, consisting of Francis H. Morgan, Edward D. Stokes, William H. and Martin Nixon, in 1866, with a license to use the same in the city of Philadelphia, and nowhere else, from Charles H. Morgan, the patentee and owner of the Morgan patent, and one of the owners of the Rice patent (see pages 878–9, and 895–6).

This license Charles H. Morgan had a perfect right to give, so far as the firm of Nixons & Chatfield was concerned, since the city of Philadelphia is not within the territory included in their exclusive license.

On May 31st, 1865, Thomas Nixon parted with all his interest in the good-will and properties of the firm of Nixon & Chatfield to the firm of Chatfield & Woods, and receiving for his interest in the old firm a very large sum of money, amounting to over $125,000 (pages 283–5). He was settled with in full by the firm of Chatfield & Woods on the 1st of August, 1865.

Immediately after he had received payment for his interest in the firm of Nixon & Chatfield, Thomas Nixon came East and tried to induce Francis H. Morgan to sell to him a number of paper bag machines containing the patented improvements of Charles H. Morgan, and to induce Charles H. Morgan to consent to the sale and to give him a license to use the same in the States of Ohio and Indiana, States included in the exclusive license granted to Nixon & Chatfield, and which had now become the property of Chatfield & Woods.

Charles H. Morgan refused to grant Nixon such a license, alleging that his invention was only an improvement on the Rice patent, and that he could give no right

to use Rice's inventions in Ohio and Indiana, since he had already granted the exclusive license aforesaid to the firm of Nixon & Chatfield for the territory including those States (see Charles H. Morgan's testimony, pages 904–5; also Francis H. Morgan's testimony, page 896 especially, Q. 17.)

Thomas Nixon, however, induced Francis H. Morgan to enter into a contract with him whereby, in consideration of a sum of money paid down and the reservation of a royalty of three cents per thousand bags, Francis H. Morgan agreed to provide him with three paper bag machines made under the Morgan patent, and to license him under the said patent to use the same. This agreement is attached to the supplemental answers of the defendants, and will be found in the Record (page 981).

This contract was made and dated on the 27th day of November, 1865.

Francis H. Morgan was unable to obtain more than two machines made according to the Morgan patent, and consequently sent to Thomas Nixon two Morgan machines, and one machine made according to the Rice patent, without the Morgan improvements, being permitted to do this by Thomas Nixon by a supplemental agreement dated November, 1866, which will be found on page 982 of the Record.

After receiving these machines Thomas Nixon used them in the manufacture of paper bags in the State of Indiana during several years of the term of the original Rice patent. (See his testimony, page 129.)

From the above evidence it is clear that all the parties of the pretended sale and license to Thomas Nixon had a perfect knowledge of the fact that the machines sold were built and licensed to be used many years after the granting of the exclusive license to Nixon & Chatfield; that the so-called Morgan machines were only improvements on the Rice invention and embodied the

patented inventions claimed under the Rice patent; and that the use by Thomas Nixon of the said machines in the State of Indiana was not only an infringement of the Rice patent, but a deliberate fraud and breach of contract both in him and in the party purporting to license him so to use them.

The assertion, then, of the supplemental answers of the defendants, that Francis H. Morgan had from the owners of the Rice patent a right to use the machines he sold to Nixon in any part of the United States, is absolutely unsupported, and is in direct contradiction to the facts as shown by the evidence.

Prior to the expiration of the original term of the Rice patent the title to the same became vested by mesne assignments in Roxanna Rice, the widow and administratrix of Benjamin F. Rice, who applied for an extension of the said letters patent for seven years, and the Commissioner of Patents having, on the 21st of April, 1871, granted the extension (page 277), she, as administratrix, assigned the extended term to the Union Paper Bag Machine Company, one of the appellees herein, on the 24th of April following, or four days before the beginning of the extended term of the patent (page 279).

From these facts it is clearly apparent that the assertions made in the appellants' brief, in these cases, that Charles H. Morgan was the owner of the extended term of the Rice patent, for a time, is absolutely without foundation.

The Union Paper Bag Machine Company, as the owner of the extended term of the Rice patent, on the 27th of June, 1871, granted to the firm of Chatfield & Woods the exclusive license, under a number of patents owned by the company, including the extended Rice patent, to make paper bags in the States of Ohio, Indiana, Kentucky, and Tennessee, which States form a portion of the territory in which they were the exclusive licensees

under the original term of the Rice patent. (Rec., pages 295–6.)

Shortly before the expiration of the original term of the Rice patent, Thomas Nixon, who had been engaged in using the three infringing machines in the manufacture of paper bags, turned the business over to Nixon & Anderson, the Nixon of which firm was his son.

This firm ostensibly carried on the business of manufacturing paper bags with the three infringing machines up to the granting of the injunction in this suit, but it appears from the evidence of Thomas Nixon, and the members of the firm, that there was no written contract between them; that Thomas Nixon owned their entire plant, and received from them an indefinite amount of money which he drew for as he needed it; they, also, paying many of his bills, in fact, his interest seems to have been in the profits of the firm; and his relations to them, that of a quasi-partner. (See Thomas Nixon's testimony, pages 129–31.) In this testimony it appears, also, that Thomas Nixon built and equipped a large paper-mill for the express purpose of manufacturing paper, to be made into bags by the firm of Nixon & Anderson; and that this paper-mill was run by two of his sons, under the firm name of Nixon & Brother, on very much the same relations with Thomas Nixon as the firm of Nixon & Anderson.

It appears in the record that the Union Paper Bag Machine Company, besides acquiring the ownership of the Rice patent, bought from Charles H. Morgan all his interest in his improvement patent.

After acquiring this patent a suit was brought by them against Thomas Nixon and Nixon & Anderson, for an infringement of the Morgan patent. As a defense to this suit the agreement between Thomas Nixon and Francis H. Morgan, before referred to, and attached to the supplemental answers of the appellants in these cases, was relied

upon by them; and it appearing by the testimony taken in that case, and which is incorporated in the master's report herein (pages 869–913), that Charles H. Morgan, although he had been very unwilling that Francis H. Morgan should make the agreement with Thomas Nixon to license him to use the machines in Ohio and Indiana, and although he had constantly protested against the execution of this paper on the ground that he had no right to give the same, since the machines in question embodied the Rice improvements the exclusive right to use which he had previously assigned to Nixon & Chatfield, yet had such knowledge of the sale and license, and in spite of his protests had shown such a degree of passive acquiescence in the purchase and use of the machines by Nixon, that he (Charles H. Morgan) and his assigns were debarred from setting up that this contract did not convey to Thomas Nixon a right to use the Morgan improvements, a right which Charles H. Morgan had a perfect right to give to any one for the States of Ohio and Indiana at the time this contract was executed and the machines delivered. (See decree of Court—Record, page 913.)

It having been judicially determined that they were bound by this contract of Francis H. Morgan, so far as the same related to the Morgan patent, *and no further*, the Union Paper Bag Machine Company, who, although urged by Thomas Nixon, had before refused to accept any royalty under this license, now demanded and received from him the sum of money mentioned in the supplemental answers of the defendants, the same being paid and received with the distinct and positive understanding, that it was received and paid solely and exclusively for the use of the Morgan improvements, the said receipt by the company, which will be found on page 982 of the record, being explicitly founded on the interpretation given to the contract in the decree of the court. (Page 913.)

It will be observed that Thomas Nixon himself paid the whole of this royalty under the Morgan patent, as well that incurred by himself while he was running the machines, as that incurred by the so-called firm of Nixon & Anderson, who ostensibly used the machines during the period of the extended patent, and the royalty is paid, it will be observed, on the manufacture of 251,433,300 bags, while the number of bags made during the period complained of in these bills of complaint is only, as reported by the master, 93,500,000.

We understand that it is now pretended by the appellants that the money paid by Thomas Nixon under his license to use the Morgan machines, as it was interpreted by the court, included royalty on bags manufactured as well by the Rice machine which did not contain the Morgan improvement as by what are called the Morgan machines; whether this be so or not, we are not in a position to judge, neither can the appellees be prejudiced by the same if it is true, since they accepted as true the statement of the number of bags manufactured rendered by Thomas Nixon, and if through any error he included bags which were not manufactured by the use of the Morgan improvements, he has a perfect right to recover it back from the Union Paper Bag Machine Company as money paid by mistake, but is not at liberty to contend that they are prejudiced by his error on a matter which they were not in a position to know anything about.

GEORGE HARDING,
FRANCIS T. CHAMBERS,
Counsel for Appellees.

Robert Clarke & Co., Printers, Cincinnati, O.]

Supreme Court of the United States.

The Union Paper Bag Machine Company and Chatfield & Woods

No. 95. *vs.*

Morris H. Nixon.

Same

No. 96. *vs.*

Thomas Nixon.

BRIEF AND REPLY.

Robert Clarke & Co., Printers, Cincinnati, O.]

Supreme Court of the United States.

The Union Paper Bag Machine Company et al.

No. 95.] *vs.*

Morris H. Nixon et al.,

AND

The Union Paper Bag Machine Company et al.

No. 96.] *vs.*

Thomas Nixon.

BRIEF FOR APPELLEES, MORRIS H. NIXON ET AL. AND THOMAS NIXON.

If Morris H. Nixon *et al.*, respondents, are right in the position taken by them as appellants, and submitted by our brief in their behalf, upon their cross appeals, it dispenses with the further consideration of these causes by this Court. If they are not right in that behalf, it then becomes necessary for us to consider the case presented by complainants below upon their appeal.

The Court below, after a full consideration of the Report of the Master, to whom the cases were referred, determined that neither in the theory upon which the Master had proceeded, nor in his finding of facts, nor in his conclusions from the facts found, could his report be sustained, and it was accordingly set aside *in toto*.

The question then arose whether the case should be

again referred, and the Court was of opinion that the evidence taken before the Master would enable the Court to state the account properly between the parties, which it proceeded to do, and thereupon to render a final decree. The appellants attack the action of the Court below in both respects. They affirm that the conclusion reached by the Court below in setting aside entirely the Master's Report is wrong; and, further, that the subsequent action of the Court, in proceeding to render the decree that it rendered, is also wrong. They are, of course, entirely different questions. In no aspect of the case, as we conceive, are the findings or conclusions of the Master tenable, while the conclusion and decree of the Court is erroneous only in being more favorable to the complainants than the facts warranted.

We propose to invert the order of these questions in presenting them, and to consider, first, how far the Court below is sustained in the conclusion and decree there rendered; and, secondly, to show that the report of the Master, both as to the facts proved and the conclusions based upon those facts, was totally unwarranted by any thing in the case made before him.

The references here will be to the printed pages of the large Record, unless otherwise specified.

The final decree, page 984, finds that the appellees made 93,500,000 bags by means of the infringing machines. It further finds that there was an established license fee of four cents (4 cts.) per thousand for the manufacture of paper bags by means of inventions set forth in the licenses hereafter referred to, and of which the Rice patent, in issue here, was one.

It also finds that appellees had already paid to the Union Paper Bag Machine Company, appellant, a license fee of three cents per thousand for the above bags, under a license held by appellees, under the Morgan patent, from the assignor of the Union Paper Bag Machine Company; and finds that, under the said established fee, appellees are liable for one cent per thousand bags in addition to the license fee already paid, and adjudges accordingly.

We shall insist, first, that a license fee is the proper measure of damages in this cause; and, second, that if this Court should differ with us upon this point, and permit an examination of general evidence as to profits, that the effect would be to wipe out the judgment given below.

1. License fee the proper measure of damages.

As matter of fact, the Union Paper Bag Machine Company does not manufacture paper bags, but has granted licenses for the manufacture of paper bags by means of machinery embracing all of the inventions for which that Company holds letters patent. These licenses are enumerated at page 428 et seq., and printed in full at page 835 et seq., of Record.

The measure of the value of all these inventions, as determined by these licenses, is four cents (4 cts.) per thousand bags manufactured by machinery containing them.

The bag itself is not patented.

Under these circumstances, if this was a suit at law, there could be no question that the above license (or rather an aliquot part thereof), would be the measure of damages.

Does the fact that it is a suit in equity necessarily change the rule? We insist that it does not.

A license fee is the sought-for criterion in an action at law, but general evidence of the profits of defendant, by virtue of the use of the invention, is admissible in the absence of any license fee. *Burdell* v. *Denig*, 92 U. S., 720.

It is a familiar statement, in opinions, in equity cases, that the infringer shall be held as a trustee *de son tort*, but then it is the profits arising from the use of the invention, as distinguished from the profits of the business in which the invention is used, that are recoverable.

This does not mean that general evidence shall be gone into to determine the value of the invention taken if it appear that there is a license fee, a certain test fixed by the owner of the invention. Nothing is more common in adjudged cases than the statement that general evidence will not be examined to determine the value of the invention, if

there be any other test. "It is only when, from the peculiar circumstances of the case, no other rule can be found, that the defendant's profits become the criterion of the plaintiff's loss." *Seymour* v. *McCormick* 16 How, 490; *Suffolk Co.* v. *Hayden*, 3 Wall., 319.

The truth is, the patentee is entitled to the value of his invention, when used without his authority, whether he proceed at law or in equity, and the different names given in these Courts (damages and profits) to the same thing (value of the invention), while they have given rise to some slight confusion upon the subject, in some quarters, have not seriously obscured the principle.

Upon this subject, this Court has said: "The profits which are recoverable against an infringer of a patent, are in fact a compensation for the injury the patentee has sustained from the invasion of his right. They are the measure of his damages. Though called profits, they are really damages, and unliquidated until the decree is made." *Mowry* v. *Whitney*, 14 Wall., 653.

It may not be out of the way to call your Honor's attention to the fact that this Court held this language upon the first opportunity presented after the enactment of that anomalous statute, Section 55, Act of 1870, perpetuated in Section 4921, Revised Statutes, which entitles a complainant in equity to *damages and profits*, while by Section 59, Act of 1870, if such party had proceeded at law, he would have been entitled to damages simply. In passing, it is submitted that if Section 55, above referred to, have any rational meaning, it was an attempt to remove the possible confusion incident to these different names of the same thing, and to permit a successful litigant to recover the value of the thing taken without being embarrassed by different nomenclature, and different rules of proceeding.

But, it may be said, these licenses are all exclusive, and, if the test be a license fee, the exclusive licensee in this case, Chatfield & Woods, will not recover anything.

Such was the judgment of the Circuit Court, and, in this respect, we insist that it is invulnerable. This is a suit for the infringement of a patent; the unauthorized

taking of certain property; and we can see no ground for treating with favor an argument intended to give a recovery larger than the confessed value of the thing taken. This is not like the case of *Goodyear* v. *Bishop*, 2 Fish., 155, where it appeared in evidence that the exclusive license was a thing of marketable value, and had cost the licensee $25,000. There the jury were allowed (if not told) to find that the plaintiff was entitled, in addition to the license fee reserved, to such proportion of the ($25,000) market value of the license as the amount of the infringement bore to the full term of the patent. Here there is no evidence that the license was a thing of value. There the *manufacture* was patented, and an exclusive license gave a complete monopoly, while here the manufacture, paper bags, is not patented.

It may be added that the basis of the claim here antagonized is that appellees did not follow Chatfield & Woods, and other licensees of the Union Paper Bag Machine Company, in their attempt to fix throughout the United States an artificial value upon paper bags. *Vide* Master's Report, p. 600. Appellees were manufacturing paper bags by the use of the machinery here in controversy, and with the knowledge of both of these complainants, prior to the time when either the Union Paper Bag Machine Company, or Chatfield & Woods acquired their respective titles, under which this suit was brought. And it is not true, nor is it so alleged anywhere in the record, that thereafter they lowered the prices of their manufacture.

The real charge is, though not put in so many words, that when these appellants and their confreres combined to forestall the market, make a close monopoly of, and charge an exorbitant price for, an unpatented article, these appellees did not enlist under their banner. Complainants, and the other monopolists, fixed a price-list for paper bags throughout the United States, but failed in establishing it anywhere, and it is the money they lost, forsooth, by that failure, that they desire to recover here [p. 600 (bottom of page)].

2d. It does not follow, however, that appellees ought

to be compelled to pay the full license fee reserved by the Union Paper Bag Machine Company.

This portion of our argument more appropriately belongs in our brief in the other cases, where we are appellants, for the reason that it asks affirmative relief against the judgment of the Circuit Court, and that brief does contain an assignment of error in connection with which this argument may be read. We have inserted it here because we believed it would be more convenient for your Honors to read in connection with the foregoing.

The infringement adjudged in this cause is limited to the second claim of the Rice patent. That patent contained four claims, the first of which was for an entire machine, which appellants insisted, in the Court below, was infringed by our Morgan machines—the only ones of which there is *real* controversy here. The Court, however, held otherwise. Not only did these licenses, granted by the Union Paper Bag Machine Company, give the licensee the right to use all the inventions set forth in this Rice patent, but each acquired the right, in addition, to use any invention the patent for which was, or might thereafter be, owned by the Union Paper Bag Machine Company, p. 835 et seq. These licenses recite that the Union Paper Bag Machine Company own nine several letters patent upon paper bag machinery.

That the feature of our Morgan machines covered by the second claim of the Rice patent is comparatively a very small and, relatively, insignificant portion of the whole machine, is evidenced in this: Pending this litigation, the Union Paper Bag Machine Company brought several suits against these appellants for infringement, by these same machines, of four of the patents recited in most of these licenses (in addition to their suit upon the Morgan patent more fully treated of in our other brief) to wit: 1st, Horatio Armstrong patent, 2d, Peter Edward Armstrong patent, 3d, Pettee patent, and 4th, Wm. Goodale patent, which latter suit is still pending and undisposed of, and upon which we are liable to be still further mulcted in damages. This record bears plenary evidence of these facts:

indeed, the testimony upon the Pettee patent is embraced in the present record, the two cases having been prepared together by stipulation, and the opinion of the Court, p. 383, shows the judgment in that suit.

This, it appears to us, is an appropriate place to note a statement made by the master, in his report, p. 599: "It is established that the defendants could have substituted other devices, without invention, in their machines, in lieu of the features described and claimed in the first and third claims of the Rice patent, and the second, third, and fourth, claims of the Pettee patent.."

What the master really means here, is that although respondents really used the inventions referred to, they were generally anticipated, in other words, not the property of the complainant, "The Union Paper Bag Machine Company." There were several devices used in our machines for which the Union Paper Bag Machine Company held patents, which devices were essential to the operation of our machines, but the proceedings demonstrated that such patents were invalid. And that company held patents on many devices useful for such machinery, that were not embodied in our machines.

But perhaps the simplest and least disputable way of comparing the advantages to be derived from the use of all the inventions specified in the said licenses with the advantages (or disadvantages) accruing to appellees from the use of their machines is to point to two tables in the record. Under the heading "Morgan Machines," at page 412, will be found a table of the daily capacity of appellees' Morgan machines, based on averages of all work done on those sizes respectively for two years. Q. 28 page 415.

On page 425 will be found a similar table of the capacity of Chatfield and Woods' machines—machines containing all of the improvements secured by the patents named in the licenses.

It will be observed that the latter or "Union Machines," as they are called, have a capacity nearly twice as great as those of appellees.

The license fee for a "Union machine" is four cents per

thousand bags manufactured upon it; should the same license fee be charged (or should there be a division of it) for the use of machines containing but one of the claims of one of these patents?

This court in Seymour *v.* McCormick, 16 How. 490 said:

"If the measure of damages be the same whether a patent be for an entire machine or for some improvement in some part of it, then it follows that each one who has patented an improvement in any portion of a steam engine or other complex machine may recover the whole profits arising from the skill, labor, material, and capital, employed in making the whole machine, and the unfortunate mechanic may be compelled to pay treble his whole profit to each of a dozen or more several inventors of some small improvement in the engine he has built. By this doctrine even the smallest part is made equal to the whole, and "actual damages" to the plaintiff may be converted into an unlimited series of penalties on the defendant."

Nor can it make any difference in this respect whether the other portions of our machines, not embraced in the Rice second claim, are or are not the subject of letters-patent.

Say this Court, in *Mowry* v. *Whitney*, 14 Wall. 650–1: "If the wheels made by the defendant would have had no market value above that of cast iron if they had not been annealed and slow cooled, the same may be said if they had been cast without a chill. The same principle, therefore, which gives to the complainants the aggregate profits of the entire manufacture would give the same profits to a patentee of the process of chilling, if there were one; and as there are many processes in the manufacture, for each of which it is conceivable there might be a patent, and as every one of the processes is necessary to make a marketable wheel, an infringer might be mulcted in several times the profits he had made from the whole manufacture. We can not assent to such a rule."

The Court below found that the established license fee for the use of all the patents owned by the Union Pa-

per Bag Machine Company was four cents per thousand bags manufactured, and we insist that there is no legal presumption that the invention covered by the second claim of the Rice patent, together with the Morgan invention, are equal in value to all the inventions for which this four cents is a licensee fee, and further insist that no such proposition is proved in the Record, but the proof does establish that the contrary is true. Hence, we insist that the Court below erred in adjudging us to pay four cents per thousand for the bags manufactured upon our Morgan machine, to wit: one cent per thousand, in addition to the three cents already paid.

But there being an established license fee, which includes the Rice patent, we say that it was the duty of the appellants, the burden of proof being upon them, to furnish testimony whereby the Court, or Master, could apportion the license fee, and determine how much of it was due to the Rice second claim. We know of no such testimony in the record, and insist that appellants are not entitled to any recovery in this suit.

At the risk of repetition, we beg to remind your Honors that Thomas Nixon, desiring to start his son, M. H. Nixon, then of age, in business, purchased his Morgan machines from Charles H. Morgan, the patentee of the Morgan patent—purchased them as Morgan machines, and was not aware that *they infringed the Rice patent*, or that there was any claim from any quarter that they so infringed. Testimony of Thomas Nixon, Q. 10 and 11, p. 127; Wm. O. Anderson, Q. 5 to 11, p. 138 *et seq.*

It is true that Thomas Nixon purchased, in addition to his Morgan machines, a Rice machine from Francis Morgan—representing Charles Morgan, patentee of the Rice patent—under the circumstances stated in the supplemental agreement between Thomas Nixon and Francis H. Morgan, p. 982.

But it is also true that shortly after the bringing of this suit, which was the first time they were notified that even that machine infringed any of the Union Paper

Bag Machine Company's patents (*vide* testimony of Thomas Nixon and Wm. O. Anderson above referred to), appellees ceased to use that machine, and it was very soon thereafter relegated to the "scrap pile." (Q. 12, p. 139; Q. 55–57, p. 145.)

We respectfully submit upon the above facts that the Union Paper Bag Machine Company is only entitled to such portion of this license fee as they have clearly proved is the relative value of the Rice second claim, and if they have omitted to furnish any such proof, then they are not entitled to any recovery.

GENERAL EVIDENCE OF RESPONDENT'S PROFITS.

But upon the assumption that we are wrong in the foregoing, and that the Court below ought to have gone into general evidence as to the profits made by the respondents in their business by the use of the invention specified in the second claim of the Rice patent, then we say abundant proofs were taken by the parties before the Master, and are in the Record, appropriate to this inquiry, and we insist that these proofs show beyond a peradventure that respondents not only did not make any money in their business by the use of the Rice invention, but they actually lost by it. And, in passing, it may be observed that it can not be stated here that the Court below declined to look into this general evidence, for no portion of the Record would sustain such an assertion. And it is undoubtedly true that in the hearing upon exceptions to the Master's Report this subject was very fully presented to the Court, as well as the considerations that arose, upon the basis of a license fee as a criterion of damages, and was very fully considered; and we think an assertion that the Court adopted the license criterion because it was the only one upon which appellants would have any recovery, if made, would be more consistent with the circumstances of the action of the Court than any other assertion.

In this part of the discussion we propose, in the main, to limit ourselves to a showing of the cost to make paper bags by hand, as compared with the cost of making simi-

lar bags by means of the Rice machine. The proof in the Record enables this to be done. We are mindful that this is not the proper test, but that the value of the use of the Rice machine ought to be so divided and separated as to show what portion of this ought to be credited to the second claim, as distinguished from the value of Rice's entire invention, covered by the four claims of his patent. But there is no proof in the Record appropriate to this inquiry, and as it is easily shown that the Rice machine, as a whole, would not make bags as cheaply as they were usually made by hand, we will not trouble the Court with any remarks as to which party had the burden of proof upon this subject, and, consequently, ought to suffer for its non-production.

At page 413, under heading "Rice Machine," will be found a table of the actual cost to manufacture bags by the Rice machine. The table includes bags made of three different kinds of paper: "Wrapping," "Bogus," and "Manilla." The different sizes of bags made upon that machine, for each of these different kinds of paper, from eight pounds to twenty-five pounds, are also given. It appears that eight-pound bags (No. 8), when made from wrapping paper, cost ninety-three cents ($0.93) per thousand for manufacture; when made from bogus, ninety-one cents ($0.91) per thousand; and when made from manilla, $1.06 per thousand. It thus appears that No. 8s, when made from bogus paper, cost less for manufacture than any other bag made upon the Rice machine; and being the most favorable to the appellants, we will take it as the subject of comparison.

This table is explained in the testimony of the witness who produces it, immediately following the table. The witness is Wm. O. Anderson, one of the appellees, his testimony having been introduced by appellants. Appellants also introduced another witness upon the same subject, Edward A. Porter, superintendent for appellants, Chatfield & Woods, in their bag factory. His testimony shows (Q. 5, p. 424) that the cost to Chatfield & Woods to run two machines daily would be $24; the testimony of Anderson, upon which the table is based, is that it cost appellees $24.08 per day to run two machines; so that it may be said that

there is no disagreement upon this, the essential figure in this part of the comparison. As to the mode in which these figures were arrived at by Mr. Anderson, see Q. 31, p. 416, to wit: by dividing the number of bags of a particular size and kind made during a whole year (1870) by the number of days occupied in making them.

The only direct testimony in the Record showing the cost of manufacture of paper bags (similar to those the Rice machine made) by hand manufacture is that of Horatio G. Armstrong (p. 502, *et seq*). This deposition is not lengthy, and as no abstract would do it justice, we must ask your Honors to read it.

It appears by it that he made paper bags by hand for six years (before he invented and patented a machine, which patent was afterwards bought by the Union Paper Bag Machine Company (see Licenses, p. 428); and appellees sued upon it) at a cost, for the manufacture of No. 8s, of twenty cents, or seventy-one cents a thousand cheaper than it cost to manufacture the same bag with a Rice machine.

This apparently astonishing result may suggest several inquiries to your Honors.

But much of this astonishment will be removed when you take into consideration the fact, stated in his testimony (Q. 8) that at the time of taking of his deposition (1876) he was engaged in manufacturing by hand in competition with the "Union Machine," and, it is necessarily inferable, selling as cheap as the machine manufacture could be sold, and this although the "Union Machine" has an average capacity of fifty thousand bags per day (*vide* Porter table, p. 425) when running on No. 8s, or nearly three times as great as the Rice machine, whose greatest average capacity, according to the Anderson table (p. 413) is nineteen thousand per day.

No word has been, or can be, said in criticism of this witness in any respect.

There is some testimony in the record that *appears* to conflict with the above so far as it states the capacity of the Rice machine, and to which we will allude. It is that of Wm. Nichols, p. 488.

In reference to Nichols' testimony, we say: 1. That, for reasons apparent upon its face, it ought not to have any weight where its statements come in conflict—if they do at all—with those of Mr. Anderson; and, 2. That a careful analysis of it will not show a serious conflict with Anderson. The witness, Nichols, was examined here in 1876. He had testified in reference to the use of Rice machines by Chatfield & Woods. He had not seen a Rice machine for eleven years before testifying, and had been out of the business of bag making entirely for five years before testifying. He kept an account of what each Rice machine produced every day, and made monthly reports therefrom, giving aggregates, which he gave regularly to Mr. Chatfield. (It may be stated here, that neither these daily tables, nor monthly reports, were forthcoming, although Mr. Chatfield was called by respondents (page 492) for that purpose.) The witness, then, had his memory, of eleven years ago, as his only reliance as to the product of a Rice machine. He testifies as follows, page 489:

Q. 7. "Could you tell, from these reports, the number of bags made upon each Rice machine?"

Ans. "*I don't think I could, accurately.* I would simply be able to tell *about* the number made on the large sized machine. The other two we run on the same sizes, sometimes twos, threes, and fours on the same machines."

Q. 8. "Have you any recollection as to the number of bags that you averaged of the different sizes upon the Rice machines, run by Nixon, Chatfield & Woods. If so, you will please state how your recollection compares with the table entitled Rice Machine, on page 23 of the master's record, shown to you."

Ans. "I have a recollection of it. *I could not say what the average was. I know that some days runs were very large and other days not so large.* From ones to fours, on our common wrapping paper that we had then, *my impression is*, from twenty-five to thirty thousand per day on each machine; and, from sixes to eights, *I would call the average* from twenty to twenty-five. From eights to twenty-fives inclusive were all made on one machine; eights to twelves

inclusive, twenty thousand; twelves to twenty-fives inclusive, *I think* they would average sixteen thousand."

Q. 9. "You intimate in your last answer that there were considerable differences in the daily runs upon the Rice machines; please state the reason of this?"

Ans. "They were a *complicated machine and the hands that we had often got them out of order*, and it required some time to get them fixed; and besides from that, our paper was very poor, some lots so bad that we could hardly run the machine."

And see Q. 28, p. 491.

The italics are ours. In reference to this inequality in the operation of the Rice machine, confirmatory testimony will be found in the 31st answer of Anderson, page 416, *et seq.*, where a table is given of the *actual* product of every day's run during a whole year, upon which the Rice machine made a particular size of bags called for by the question. From this it will be seen that the machine varied from 8,500 bags per day up to 22,500 per day. We will not attempt any explanation of this phenomena of that character of machine. It is sufficient to say that it is an admitted fact it was complicated and unreliable if not utterly useless. Additional proof, if wanted, may be had in the fact, clearly shown in the record, that, with the exception of the Rice machine used by respondents up to 1871, there has not been one of them in use for the past seventeen years—or since Chatfield & Woods changed their Rice machine in 1864. Now, the witness states, explicitly enough, that he can not give averages, and a view of Anderson's table, above referred to, ought to be sufficient to show that no orderly mind could recollect the average of such a machine for twelve years. His "impression" is most likely of the prominent thing in his recollection of the machine, viz: its largest single runs. At all events, whatever theory may be adopted in relation to these curious guesses, it can not be said that they have any tendency to disprove the accuracy of the tables compiled from respondents' books; and it surely can not be said that they are so accu-

rate and reliable as to be preferable, as a basis of comparison, to the Anderson tables.

It ought also to be noted that the above comparison of cost by hand labor with that of cost on a Rice machine, based upon sizes of bags No. 8, is more than fair, it is generous, to the appellants, for the reason that it would cost as much to make any smaller size of bags on the Rice machine as it would be to make No. 8.

Appellees only used their Rice machine on sizes No. 8 and larger. Anderson, Q. 32, p. 419.

The number such a machine could make on No. 8s, was the limit of its capacity. Testimony of Charles A. Nixon, a skilled workman, but not interested in the cause, Q. 5, p. 473. And see Nichols, Q. 9, above.

So that if the Rice machine had been run on the smaller sizes of bags (Nos. ½ and 1), it would have still cost ninety-one cents per thousand to manufacture them, while the *same bags*, if made by Armstrong, would have cost ten cents per thousand, a difference in favor of hand manufacture of eighty-one cents ($0.81).

It will have been noted by your Honor in the testimony of Anderson, adverted to, that this ninety-one cents per thousand, cost of manufacture upon Rice machine, includes three cents per thousand royalty, under the Morgan license. It is possible that the justness of this deduction, in the present inquiry, may be obnoxious to legal criticism! But we will not waste your Honor's time by discussing that question farther than to say, that this item is included, because it has actually been paid for the privilege of running these machines. For Thomas Nixon, poor innocent man that he was, actually believed that when he purchased these old machines and agreed to pay, and actually paid, a license fee to the owner of both of these patents for the right to run them, he acquired the right to operate them. He did not then know, as he does now, that an effort to assert and insist upon this right would bring down upon him this most iniquitious persecution, which, under the guise of patent litigation, has lasted for more than ten years, and all because he would not down at the bidding of these gracious

gentlemen, and permit, at least in so far as he was concerned, a grand national monopoly to be built up in an unpatented article.

It will probably now occur to your Honors to inquire: If this matter be so easily disposed of, why did not the master so dispose of it?

We only know that the master has steadily ignored this testimony. Your Honors have his report, and our exceptions thereto, p. 607, which we hope you will read, and upon this your Honors will probably make as correct a judgment as to the reasons which influenced the master, if he were influenced by any, as we could give—that is, if it be necessary to form any opinion about it.

The master made his estimates upon the basis of the cost of a different kind of hand-made bag, to-wit: what is known as a satchel bottom bag, the Rice and Armstrong bags having each the flat bottom. The following is all that the master's report contains upon this matter: 1. "That the respondents could have made by hand the bags they did make by machinery, taking their whole manufacture of different sizes, at a cost to them for the bags in the aggregate of not to exceed thirty-five cents per thousand for the hand labor on the bags."

This satchel bottom bag required about three times as much labor for its manufacture as the Rice flat bottom bag, and sold in the market, at from ten to fifteen per cent. higher than the latter.

Chas. S. Burns, manufacturer of satchel bottom bags by hand, introduced by appellants, testifies, Q. 49, p. 541: That an average day's work for a girl was the manufacture of one thousand such bags.

Armstrong, before referred to, testified, Ans. 3, p. 503: That during the first five years of his manufacture of flat bottom bags, he employed, on an average, three boys, and that during the last two years of his manufacture, he employed, on an average, nine girls.

In Ans. 2, he testifies: That during the first five years, his average product of these bags was ten thousand per

day, which would make 3,333 flat bottom bags for each boy per day.

In the same answer (2) he testifies: That during the last two years of his manufacture (1858 and 1859), his daily average product was thirty thousand bags, which, it will be observed, gives the same daily average for each of his nine nine girls, to-wit: 3,333.

The statement of these figures, it appears to us, ought to have deterred the master from assuming that it would have cost as much to make the ordinary flat bottom bag as this one, as he did assume when he used the satchel bottom bag as a basis of comparison with the Rice machine bag.

Again, Burns testifies that he always received a better price for his satchel bottom than the flat bottom bags of Chatfield & Woods would sell for, although both were sold in the same market. He says: "As near as I can recollect, it was ten to fifteen per cent in my favor." Ans. 54, p. 542.

Let us assume he averaged to get twelve and one-half per cent. more for his bags than Chatfield & Woods got for their's: The master has stated, p. 600–1, that five per cent. upon the value of respondent's entire manufacture, in issue here, would amount to $10,533.89. Now, according to this, if appellees had made satchel bottom bags, instead of the common flat bottoms, the only ones their machines were capable of making, their product would have yielded $26,334.62 more than it did yield.

Notwithstanding which, the master assumed, for the purpose of fixing the amountof tax which should be levied upon appellees, that it would cost as much to make by hand the bags they did make as it would have cost to make a similar number of satchel bottoms, and that the former could have been sold for as much as the latter.

Let us pursue this a little further. The whole profits, of every character, from defendants' bag business for the time in issue before the master, was $15,535. This is estimated from the "Hartwell Exhibit," p. 635, offered by complainants, and the accuracy of it is beyond criticism.

This exhibit having been made from appellees' books, in June of 1873, and the royalties under the Morgan license not having been paid until 1876, did not appear in this, which was merely a profit and loss account.

It may be remarked, in this connection, that when this inquiry was before the Court below, there was a draft report of the master—1st draft report, which, for some reason, is not in this record, in which the master assumed that the whole profits of the defendants in their business was the measure of the damages, and, of course, it contained a finding of what were the actual profits of the business. We regret that the record does not permit us to quote this finding of the master in substantiation of the above figures, but know that we will not be accused of inaccuracy when we say that the master's finding was lower than the figures above given, and, indeed, lower, by considerable (this finding of the full profits of defendants from their business), than the sum that the master finds in his filed report as the gains and savings by virtue of the use of the second claim of the Rice patent.

Now, your Honors, having before you the cost to manufacture the Rice bag by hand, the labor required, and the cost to manufacture the satchel bottom bag, and the increased profit that appellees would have made if they had made the satchel bottom, instead of the flat bottom, if it be true, as the master virtually asserts, that they could have made the former as cheaply as the latter, are in a position to determine the value of the master's report.

The next question that presents itself is: But, even if the master assumed the cost of making bags by hand to be thirty-five (35) cents per thousand, this being still much

below the cost of manufacture of bags upon the Rice machine (to-wit: 91 cents), how has it happened, notwithstanding, that the master is enabled to report the respondents' profits derived from the Rice second claim at the enormous sum of $15,449.80, and this too in plain view of the the facts, first, that their whole profit from their business was a less sum than that, and second, that they continued to sell their product at a price not lower than they were selling it when complainants acquired their title?

No truthful answer can be given to this, other than that the Master had predetermined to report large damages, and, where it was necessary to this plan, to ignore the testimony.

It is obvious that if the Master had compared the cost of making satchel-bottom bags with the cost of making bags by the Rice machine, that he must have reported that there were no damages.

We propose to show, first, how the Master avoided this inquiry.

His report states (p. 602): "As to the cost, to the respondents, to manufacture, by the Rice machine, the bags they did manufacture: The Special Master finds that the respondents only used the Rice machine, to wit: the one machine which did not contain the Morgan improvement, for a period of about three months prior to the 1st of October, 1871, and that the manufacture on it only embraced, in that period, the largest size of bags, resulting, in said three months, in so very limited manufacture, that, for the purpose of this case, he assumes all the machines that respondents did operate contained the Morgan improvement, during the whole period."

On page 599, the Master states that this Rice machine made 1,345,000 bags during the three months referred to. Why could not the Master base his calculations upon the cost to manufacture these 1,345,000 bags?

We have heretofore referred to a table showing the cost to manufacture upon this Rice machine (p. 413), based upon the actual runs of this very machine, and of every run it made during one whole year, and we also referred to

the testimony explanatory of it. Why does the Master ignore this? It surely will not be said that his attention was not called to it sufficiently before he made his report? Nor is there, in the Record, one word of criticism of this testimony, nor anything at all inconsistent with it, unless the guesses of Nichols should be thought such. More than this, the books of daily product of appellees were before the Master, showing the number of bags made by each machine every day that it was operated, from September 1, 1869, until the injunction was granted in this case and the books closed, May 31, 1873. This includes all the runs made by appellees' Rice machine, from the opening of those books until the Rice machine was destroyed—about twenty-one months.

It is true that, because the title of these complainants commenced on the 27th of June, 1871, no damages could be reported for respondent's use of this machine prior to the above date. But proof of the daily runs of this machine are in the record for twenty-one months notwithstanding, and might have been examined for the purpose of the present inquiry had the master so desired. And it is not apparent to us how the master is justified in asserting in his report that the machine was only used for "about three months," in the face of these facts. It is also asserted, in the master's report, that this machine was only used in the manufacture of the largest sizes of bags, and the assertion is made in such a way as to indicate that, for that reason, its use by respondents was not a fair test of its capacity. The assertion is correct; and the reason for it shown above from the testimony, to-wit: That it would not make any more bags of any of the smaller sizes than it would of No. 8, stands out in relief in the history of the machine, as well as in the testimony in this record; and we submit that the master forgot his function when he volunteered this *innuendo*, as well as when he asserted that the machine in question was only used for three months.

If it had suited the purpose of appellants, we can not resist the conviction that they could and would have fur-

nished proof from the books of some of those who had used one or the other of the only ten Rice machines that had ever been built, of the average daily capacity of some of these machines, for the majority of these machines (if not all of them) had belonged to the parties who are now stockholders in the Union Paper Bag Machine Company.

Your Honors are already advised of the efforts made by us to get these figures, in reference to the Rice machines that had been used by Chatfield & Woods, and this, notwithstanding the burden of proof was upon the other side, and of the failure of Chatfield & Woods to furnish the figures.

The master having thus declined to make this comparison directly, we propose an examination of what he has done, and from his standpoint.

The master finds the cost of manufacturing paper bags upon the Morgan machines to be $24.08 per day, as the expense of running two machines, p. 602. It may be mentioned, in passing, that this finding is predicated upon the evidence of Mr. Anderson, p. 413, and of Mr. Porter, foreman of Chatfield & Woods, p. 424, and, that the witnesses differed but eight cents in their respective estimates. The cost consists of ten items, which the master specifies. And, for the purpose of comparing the cost of hand-made bags with the cost of bags made upon the Morgan machines, he excluded five of these items, upon the ground that they would all be incident to the manufacture of bags by hand. These five items included the paste, the superintendent, the foreman, the bundler, and the rent, and amounted to $12.28; thus reducing the cost of the items which the master regarded for the purpose of obtaining the comparative cost of manufacturing by hand and by the Morgan machines to $11.80 per day. Upon this basis, the master found the cost of manufacturing the bags made by respondents, by hand labor, to be $32,725.00, and the cost of manufacturing the same bags with the Morgan machine to be $8,637.60. It follows, and, if the master had stopped to state the result, it might have saved him from one error, that the saving, the gains and advantages ef-

fected by the use of the Morgan machines, including all the devices involved in them, and, among others, the device covered by the second claim of the Rice patent, was the difference between these two sums, to-wit: $24,087.40. The next problem which the master attempts to solve is to apportion this saving between the Morgan devices and the Rice machine; or, to state it in his own language, to compare this cost of manufacture by perfected machines with what it would have cost on the Rice machine without the Morgan improvement. To do this, he says:

"There is present, in the record, testimony establishing the fact, in the special master's opinion, that the Morgan improvement, when added to the Rice machine, increased the capacity of the machine one hundred per cent."

We stop to say that there is not a word of testimony in the record tending to establish any such conclusion.

But, thereupon, the Master thinks the conclusion is forced, that of this saving of $24,087.40, $15,449.80 is accomplished by the use of the Rice improvement. Surely the very statement of the figures should have suggested to the master that if the Morgan improvement just doubled the product of the Rice machine, without any increase in the cost of running it, that a computation which credited largely more than three-fifths of this saving to the Rice machine, had some element of error in it. One would have at least supposed that it might have occurred to him to divide the saving effected between the two machines. The master apportions the saving effected by the Morgan machine, as compared with that made by the Rice machine, by eliminating all the elements of cost which we have stated, including rent, superintendence, foreman and bundler. Now, assuming, for the purpose of this argument, that in ascertaining the saving, by the use of the Morgan machine over hand labor, that the master was warranted in eliminating these items, was he warranted in doing it when he makes the second comparison to ascertain what part of this saving ought to be credited to the Morgan improvement? Obviously, if it is true, as the

master finds, that respondents were 732 days and nights in producing the bags made by them, and the Morgan improvement increased the product just one hundred per cent. during that time, there was just as much a saving of rent, and of superintendent's, and foreman's, and bundler's wages due to the use of this improvement, as there was of fuel, or wear and tear, which the master doubles. Indeed, every item which he excludes, except that of paste (flour), which would be the same for bags made on both machines, would stand precisely in the same category. The gains, or savings, effected by the use of the Morgan improvement on the Rice machine, are just as much increased by the saving of rent as by the saving of any item that the master includes in his computation.

It is a mere jugglery with figures for the master gravely to inform the Court that the total saving on the bags made by respondents by the manufacture by machinery, as contradistinguished from hand manufacture, is $24,087.40; that the Morgan improvements double the capacity of the Rice machine without any increase in the cost of running it; and, then, to add that $15,449.80 of this saving ought to be credited to the Rice improvement, and $8,637.60 of it to the Morgan improvement.

When a manufacturer doubles his product, without increasing the cost of manufacture, he more than doubles the gains. Thus: if the cost is $2 and the product $4, the gain is $2. Let the product be doubled, without increasing the cost, and the gain is not $4 but $6, or three times as great, instead of doubled. And this is just as true of large sums as it is of small ones. It seems to be a pity to have to resort to such an illustration, but after a master has blundered for forty entire days, as his account for his services shows, in addition to the time occupied in taking the testimony before him, in endeavoring to work out a result not indicated by the evidence, but which he had determined to reach in spite of the evidence, it is not unnatural, perhaps, to find it reached by such methods of computation.

Take now the master's figures, and he informs the

Court that it cost the respondents, to make 732 runs, night and day, with their two machines, for the items he considers, $8,637.60, and that the value of the product of the machines, measured by its cost on hand labor, was $32,725.00. He says, that is twice what the machines would have produced (*i. e.*, 100 per cent. more) to run them for the same time as Rice machines without the Morgan improvements. We have, then, if we understand it at all, this result indicated upon the Master's basis of computation: that the respondents, by the use of Rice machines *simpliciter* for 732 runs (days and nights), at the same cost, $8,637.60, could have produced bags which, measured by their cost in hand labor, were worth just half what they actually produced, or $16,362.50, and the gain accrued to them by the use of the Rice improvement would be just $7,724.90, which the master, on *his basis* of computation, ought to have returned, instead of $15,449.80, as the gains and advantages derived from the use of the Rice machine. He has taxed the respondents for the gains they could have made on all the bags that could be made on the Rice machine by 1,464 runs, instead of for what could be made on it in 732 runs, which is all the time the master finds the respondents used the machines; and, as will now be understood, these 1,464 runs are only charged with $11.80, each, instead of $24.00, which the master finds to be the actual cost. And the entire difference, or $12.20 per day for 732 runs, was a saving clearly due to the use of the Morgan devices.

But now, taking the master's assumed ratio to be correct, if we resort to the true basis of comparing the savings of the Morgan machine with the Rice machine, and include the total cost of the manufacture, except the paste for the reasons indicated, we shall have the Rice machines run 732 runs (day and night) at a cost of $22.80 per run, or $16,689.60, to produce the half of the bags made by respondents, and which the master has measured, by their cost in hand labor, at $16,362.50, or we should have run the Rice machines at an actual loss of $327.10, although, as the Morgan improvements doubled the production with-

out increasing the cost, we were able to produce $32,725.00, measured by its cost in hand labor, and thus to realize a gain (according to the master's hypothesis) of $16,035.40, which was due wholly to the economy secured by the Morgan improvements, for the use of which, we may add, the record shows the respondents have paid the complainants, the Union Paper Bag Machine Company, several thousand dollars royalty.

There is no escape, as it seems to us, from these figures. The inquiry is not what *it would have cost* the respondents to run their machines twice the time they did, and thus have made the bags they made on the Rice machine simpliciter, but what advantage they did derive from the use of the Rice improvement, covered by the second claim, for the time they actually did use it? That, the master finds, would have produced just half the bags they did produce, at the cost to them of the whole of their production; and, in that fact, must be sought the answer to the problem, either on the basis upon which the master made the comparison, or on that which we have submitted to the Court.

This, we think, sufficiently illustrates the master's reason for adopting this indirect method of making his calculations.

Resume: 1. The master *assumes* that the record does not contain evidence of the capacity of the Rice machine, and by this he is justified, as he thinks, in avoiding the direct comparison of the cost to make paper bags by hand, and by the Rice machine. 2. He adopts, without giving any reason for his action, the cost to manufacture satchel-bottom bags as the cost to manufacture Rice bags by hand. 3. In order to arrive at the capacity of the Rice machine (a thing certain in the testimony), he deducts from the capacity of the appellee's Morgan machine (another thing certain in the testimony) the capacity of the Morgan improvement, separately considered (a thing uncertain, and, from the testimony, incapable of being made certain, inasmuch as the adjudged theory of the

case is that this Morgan improvement is incapable of use by itself), leaving the value of the Rice machine. 4. All of this, however, is only useful according to the master's plan, inasmuch as by it he is enabled, by means of his involutions above described, to charge such Rice machine with only one-half of the cost of running it.

E. W. KITTREDGE and JAMES MOORE.
Appellee's Counsel.

Robert Clarke & Co., Printers, Cincinnati, O.

Supreme Court of the United States.

The Union Paper Bag Machine Company and Chatfield & Woods

No. 95. *vs.*

Morris H. Nixon.

Same

No. 96. *vs.*

Thomas Nixon.

REPLY TO APPELLANTS' BRIEF.

The appellant's brief assigns five errors, so generally stated as to include very numerous questions. They really, however, discuss but two propositions:

1st. That Chatfield & Woods, as exclusive licensees, are entitled to damages other and beyond what accrue to the licensor or owners of the patent.

2d. That the settlement by the Union Paper Bag Machine Company was not in law, nor intended in fact, to include any claim for the use of the Rice device, but the payment of $7,543 was exclusively for the use of the Morgan invention.

It is to these propositions that we shall confine our argument.

The appellant's brief studiously conceals the fact that the license to Chatfield & Woods, under the extended term

of the Rice patent, was made subsequent to the purchase of the three machines by Thomas Nixon, and while they were in fact being operated by respondents. And if they (the respondents) have thereby what is tantamount to a license from the owner of the patent that is prior in time to Chatfield & Woods', the latter could acquire no interest from the owner of the patent, except subject to the respondents' rights. This consideration really disposes of the questions argued as to the remedy of an exclusive licensee, whether it is against his licensor, if he grants a license to a third party, or whether an exclusive licensee can claim the title of an assignee of the territory within which his license is exclusive, as against such third party. That may present a serious question when it does arise, but it does not arise here. The contracts under which the royalty is payable, as supplemented (R. 982), provided for the use of one of the three machines sold to him, which was a Rice machine *simpliciter*. It contained none of the Morgan devices. The royalty provided to be paid to the owners of the Morgan patent included the bags made on that machine. The appellant's counsel are mistaken when they say (B., p. 8): "The royalty was, by express stipulation, to be paid for the use of the Morgan patent.

The express stipulation was, that the royalty should be paid "for the use of said machines." (R. 981.)

The appellant's counsel are also altogether mistaken when they say (B., p. 10): "The money was finally paid with the express understanding that it was to be received and receipted for, in consideration of the right under the Morgan patent." The very reverse is true. The respondents did originally tender the royalties, with a full written notice that they included bags made on this Rice machine, which had no Morgan devices upon it. They did accompany the tender by a receipt, not at all "cunningly drawn to operate as a discharge of all claims under any patent." (Appellant's Brief, p. 10.) The suggestion of cunning is totally gratuitous. The receipt may be found on page 505 of the Record, and is as plain and explicit as it could be written. Moreover, it followed repeated letters to the

Union Paper Bag Company and its representatives, in the most explicit manner, notifying them that the amount tendered included the royalty upon bags made on the third machine, which was exclusively a Rice machine, and that the tender and payment was made, and, if accepted, it would be accepted in full of all claims for bags made on those machines. (See the letter to complainants' solicitor, afterwards inclosed to complainants, R., p. 495; and to Edward Porter, complainants' attorney in fact, R., p. 497.) But, in addition to this, the testimony of E. W. Kittredge, respondents' agent in the transaction, as to what took place at the time of the payment, which Mr. Howlett, the complainants' president, after reading it, saw fit not to deny at all, and which therefore stands uncontradicted (R. 499), shows that when the payment was made, Mr. Kittredge then expressly declined to pay, except the payment included the bags made exclusively on the Rice machines; and Mr. Howlett then laboriously ascertained just what proportion of the sum paid was for bags so made, and finally determined to accept it, with the full knowledge that the payment was *not* merely the consideration due for the use of the Morgan devices, but was largely the consideration for the use of, exclusively, the Rice invention; or, more properly, in the terms of the agreement, was the consideration due for "the use of the machines," including all the inventions embraced in them, which the party, Charles Morgan, had a right to grant when he made and sold them.

It is hardly worth while, in view of the foregoing facts and arguments, to add that there was no evidence whatever before the master or court below to show that Chatfield & Woods suffered any damages, or were entitled to the difference between the price respondents sold bags at and the price which they sold them at, especially in view of the fact that the market was continually supplied during the period of respondents' manufacture with competing bags.

JAMES MOORE,
E. W. KITTREDGE,
For Appellees.

Robert Clarke & Co., Printers, Cincinnati, O.] [*September, 1881.*

Supreme Court of the United States.

Morris H. Nixon et al.

No. 181.] *vs.*

The Union Paper Bag Machine Company et al.,

AND

Thomas Nixon

No. 182.] *vs.*

The Union Paper Bag Machine Company et al.

BRIEF FOR APPELLANTS, MORRIS H. NIXON ET AL. AND THOMAS NIXON.

JAMES MOORE and
E. W. KITTREDGE,
Appellants' Counsel.

Robert Clarke & Co., Printers, Cincinnati, O.] [*September, 1881.*

Supreme Court of the United States.

Morris H. Nixon et al.

No. 181.] *vs.*

The Union Paper Bag Machine Company et al.,

AND

Thomas Nixon

No. 182.] *vs.*

The Union Paper Bag Machine Company et al.

Brief for Appellants, Morris H. Nixon et al.

STATEMENT OF CAUSE AND ABSTRACT OF PLEADINGS.

These cases are appealed by both parties. We propose, in this brief, to present the case of the respondents in the court below, being the case entitled as above, upon the appeal of Morris Nixon and others, appellants.

The Union Paper Bag Machine Company is a corporation organized for the purpose of owning patents upon machinery used in the manufacture of paper bags, and as such it filed the bills in these cases to restrain an alleged infringement of the extended patent of Benj. F. Rice. Chatfield and Woods, the other complainants, were li-

censees of the Union Paper Bag Machine Company, in Ohio and Indiana, under the extended term of this Rice patent. The original and amended answers denied infringement and the validity of the Rice patent. After a hearing upon the testimony originally taken, a decree was rendered for complainants, and a reference had to a master to state an account of the profits and damages. Pending the inquiry before the master, the respondents obtained leave and filed a supplemental answer. It is upon the case made under this pleading that the questions we wish now to present for the respondents, as appellants, arise, and we have thus far very briefly stated the previous steps in the case disclosed by the record. This supplemental answer (found on pages 25 and 980 of the printed records, in cases Nos. 181 and 182), avers that, pending the inquiry before the master, upon the reference, the respondent Thomas Nixon had paid to the complainants, upon their demand, the sum of $7,543, for which the Union Paper Bag Machine Company had delivered its receipt to the respondents, reciting that the agreement was made in pursuance of two written contracts, between F. H. Morgan and Thomas Nixon, whereby the said Morgan agreed with the respondents, for the said sum as a royalty, for the use of these machines, said Morgan being then the owner of the machines, with a full right derived from the owners of the Rice patent to use the same at any place in the United States, and which machines he then sold to the respondent, Thomas Nixon, being the same machines for the use of which the decree against respondents was rendered. And the respondents aver that the payment and receipt of said sum of $7,543 was an accord and satisfaction of complainants' claim for damages and profits and other relief prayed for in their original bill; and complainants' demand therefor, was settled, adjusted and discharged. To this supplemental answer the complainants filed a general replication.

PROOFS UPON THIS ISSUE.

The Rice patent was originally issued on the 28th of April, 1857, to Benjamin R. Smith and Charles H. Morgan, assignees of Benjamin F. Rice. These letters patent were re-issued on March 6th, 1860. Benjamin F. Rice having died, an extension of said letters patent was granted to Roxana Rice, his widow and executrix, on April 21st, 1871. Roxana Rice assigned the extension to the Union Paper Bag Machine Company on April 24th, 1871. The Union Paper Bag Machine Company granted its license to Chatfield & Woods on June 27th, 1871; the license being to use machines involving numerous inventions covered by patents held by the Union Paper Bag Machine Company.

While Charles H. Morgan was the joint owner of the Rice patent, he manufactured and sold to his brother, F. H. Morgan, these three machines, one of them embracing only what is held to be the Rice invention, the other two embracing the second claim of the Rice patent, and the inventions covered by a further patent issued to said Charles H. Morgan.

F. H. Morgan, having thus acquired from his brother Charles the right to use these machines wherever he chose, sold them to the respondent, Thomas Nixon, under an agreement in writing (pages 28 and 982 printed Records), dated November 27, 1865, and a supplement thereto dated November 2, 1866.

This agreement provided for the payment of a royalty of three cents per thousand bags manufactured by the respondent, Thomas Nixon, to Charles H. Morgan, or the owner of his patent, by the use of said three machines. The Union Paper Bag Machine Company afterwards bought both the Morgan and Rice patents.

While this suit was pending, the Union Paper Bag Machine Company brought a suit against respondents for infringing the Morgan patent. In that case the history of these three machines was disclosed, and the validity of the sale from Charles H. Morgan to the respondent, Thos.

Nixon, and the agreement accompanying it as made by F. H. Morgan, was established. After that decree upon the Morgan patent the complainant, the Union Paper-Bag Machine Company, demanded and collected of the respondent the royalty provided by said agreement, amounting to $7,543. This demand and payment were made while the account in the present case was being taken before the Master to whom this case had been referred. The facts upon this branch of the case are substantially set forth by the master in his report, page 595.

The respondents were using these three identical machines, thus sold by Charles H. Morgan, when the original term of the Rice patent expired, in April, 1871. They continued using them when the license was granted by the Bag Company to Chatfield & Woods, on the 27th of June, 1871. And this suit is prosecuted to recover damages only for the very bags manufactured during the extended term of the Rice patent, upon which the royalty of three cents per thousand was thus demanded by the Union Paper Bag Machine Company, and paid by the respondent. The Union Paper Bag Machine Company, denied the existence of this right of the respondent, Thos. Nixon, when this present suit was brought, and denied the authority of F. H. Morgan to authorize the use of the Rice invention in these three machines. That right, as will be seen, has been established while the taking of the account in this case was pending before the Master. The Union Paper Bag Machine Company acquiesced in that determination, and demanded, and received, the royalty, including indeed nearly $500 as royalty upon bags made upon the one machine which did not embrace the Morgan invention, but contained only the Rice inventions, as covered by the Rice patent.

In addition to the findings of the Master already referred to on page 595 of the Record, we refer to the evidence, as to the demand and payment of the royalty, to be found on pages 498 to 500 of the Record, and the exhibits on pages 494 to 497. There is no conflict in the testimony

upon this issue, and we therefore deem this a sufficient abstract without a more detailed statement or reference.

ERROR ASSIGNED.

The respondents assign for error:—1. The rendering of a final decree for damages and an injunction for complainants below upon the case thus made.

2. That the Court below allowed too large a proportion—if any allowance was proper—of the four cents per thousand bags, fixed by the Union Paper Bag Machine Co. as the license value of all their patents, for the use of the Rice second claim.

ARGUMENT.

Upon the facts thus presented, about which there is and can be no controversy, we affirm that the complainants can not further maintain a claim for damages or profits against respondents.

The Union Paper Bag Machine Company, so far as it had any interest in such damages or profits, has discharged them by this settlement, and has recognized, so far as it is concerned, the respondents' right to use, in these three machines, the Rice inventions. Chatfield & Woods are mere licensees; but we pass by the question of their right to maintain an action for damages or profits distinct from those to which their licensor, the owner of the patent, is entitled. They took their exclusive license while the respondents were in possession of the machines as owners, and operating them with a full right to operate them.

The action of the owners of the patent in demanding and receiving a royalty is not by way of ratification of an act before unauthorized. It is simply the admission of the title of the respondents to their machines, and to the use of the devices embodied in them. It recognizes respondents as owners of these machines by purchase, under a title derived from the owner of the Rice patent, and having a right to operate them at the time when the license to

Chatfield & Woods, under the extended term of the Rice patent, was granted. If notice of this right was necessary, Chatfield & Woods had notice by the possession and use of the machines by respondents at that time. Our title to use the Rice invention in these machines, in this territory, is older than their license, although the recognition of it by the Union Paper Bag Machine Company, and the settlement of the royalties accrued for the use of it, is since the reference in this case.

This Court, in the case of *Bloomer* v. *McQuewan, et al.*, 14 Howard, 539, established the right of the owner of a patented machine, at the time of an extension of a patent, to continue to use the machine during the extended term of the patent.

Said Chief Justice Tanney: "When the machine passes to the hands of the purchaser, it is no longer within the limits of the monopoly. It passes outside of it, and is no longer under the protection of the act of Congress."

That a machine rightfully sold by the owner of the patent carries with it the right to use it anywhere, is settled in *Adams* v. *Burke*, 17 Wall, 453.

It would appear that the Court below in this present case was of opinion that, as the agreement which accompanied the sale of these three machines by F. W. Morgan provided for the payment of a royalty to Charles H. Morgan, only as the owner of the Morgan patent, the SALE did not carry the right to use the Rice devices embodied in these machines. But Charles H. Morgan, while an owner of the Rice patent, had sold these machines to F. H. Morgan, who sold them to respondent. It is this *sale* of the machines that carries with it whatever right the vendor has to the use of the devices embraced in them. And the reservation by the vendee, in a subsequent sale of the machines, of a royalty for use of the devices covered by the Morgan patent, is important only as evidencing a recognition of his title to the machines and right to make the sale, when we find the complainant collecting this royalty.

Said Mr. Justice Miller, in the case of *Adams* v. *Burke*: "We have repeatedly held that when a person had pur-

chased a patented machine of the patentee, or his assignee, this purchase carried with it the right to the use of that machine so long as it was capable of use, and that the expiration and renewal of the patent, whether in favor of the original patentee, or his assignee, did not affect this right." The fact that a royalty was reserved for the use of one of the inventions embraced in the machine, can not affect the result of the rule to confer the right to use the other devices. On the contrary, the reason of the rule that a sale of the machine implies the right to use all the devices which are embraced in it, and which the vendor can grant to the vendee, is strengthened by such a reservation. The machine is sold for a valuable consideration, to be used for the purpose for which it is made, and it is valueless if the vendee has no right to use it. The fact of the sale of it, for its value as a machine, implies, and necessarily carries with it, the right, so far as the vendor is concerned, to use it, subject only to such restrictions, or charges for royalty, as are made a part of the express terms of the sale. This implication of a right to use is certainly strengthened by an agreement to pay a royalty for the product of the use of the machine. Charles H. Morgan, being at the time the owner of the Rice patent, sold these machines. He was a party consenting to their subsequent sale by his brother to this respondent. The Union Paper Bag Machine Company subsequently derived title to the Rice patent through Charles H. Morgan, and collected the royalty of the respondents for the use of their machines, provided for by the agreement when the machines were sold to the respondent. Does the Union Paper Bag Machine Company stand in any different position than Charles H. Morgan would occupy had he continued to own the patent and been the complainant in this suit? Could Charles H. Morgan, after demanding and collecting the royalty provided in the sale of these machines, from the respondent, for the bags made on these machines, maintain this suit for the profits of respondents realized from the sale of the very bags that he had thus been paid by the respondents for the privilege of manu-

facturing? It seems to us that these questions fairly present the case that arises upon the cross appeal of the respondents, and that on every principle of law they must be answered in their favor.

JAMES MOORE,
E. W. KITTREDGE,
Counsel for Appellants.

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Motion